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TODOROV SPEAKS AT KOLAROV ANNIVERSARY

AU151709 Sofia BTA in English 1618 GMT 7 Jul 87

[Text] Sofia, 15 July (BTA)--The 110th anniversary of the birth of Vasil Kolarov, a prominent leader of Bulgaria's Workers' Revolutionary Movement who won international recognition, was marked with an official meeting today.

"Vasil Kolarov was one of the revolutionaries who helped elevate the Bulgarian revolutionary movement's role in the struggle of mankind for social progress, peace and socialism," said a report by Mr Stanko Todorov, member of the Politburo of the BCP CC and chairman of the National Assembly.

He spoke of Vasil Kolarov's contribution to the building of the Bulgarian Communist Party as a Leninist Party of the working people and about the functionary's contribution, together with Georgi Dimitrov, to the foundation of the Fatherland Front.

The speaker also pointed to Vasil Kolarov's international activities. He was elected secretary general of the 6th Congress of the Communist International and as such worked actively for the Leninization of the communist parties.

Mr Stanko Todorov went on to speak of Vasil Kolarov's work as Marxist-Leninist and his contribution to Marxist-Leninist social science.

Dwelling on Vasil Kolarov's leading role in the revolutionary processes in Bulgaria after the victory of the 1944 Socialist Revolution. Mr Stanko Todorov assessed the functionary as an experienced and wise statesmen and party leader.

Vasil Kolarov contributed considerably to the creative construction of the party line during the transition period from capitalism to socialism. He contributed to the raising of the leading role of the Communist Party, to the establishment of the political system of people's democracy, to the development of socialist democracy.

Vasil Kolarov also contributed to the consolidation of the Bulgaro-Soviet friendship, to the development of the friendship with other people's democratic countries.

In 1945 Vasil Kolarov was elected chairman of the 26th Ordinary National Assembly, and after Bulgaria's proclamation for People's Republic--chairman of the Temporary Presidency of the Republic. From 7 November 1946 he was chairman of the Great People's Assembly, from December 1947--deputy chairman of the Council of Ministers and Minister of Foreign Affairs. After Georgi Dimitrov's death he became prime minister. During all those years he was a member of the Politburo of the CC of the BCP.

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ARMY LEADER MINCHEV ON KOURIS VISIT

AU161056 Sofia POGLED in Bulgarian Issue 28 13 Jul 87 p 3

[Interview with Lieutenant General Radnyu Minchev, first deputy chief of staff of the Bulgarian People's Army, by Georgi Grozdev: "As Good Neighbors"--date and place of interview not given]

[Text] The visit by Colonel General Nikolaos Kouris, chief of general staff of the National Defense of the Republic of Greece, has no precedent in the history of Bulgarian-Greek relations. An important event this week will be the visit to Bulgaria of Greek Prime Minister Andreas Papandreou.

For more details, we applied to Lieutenant General Radnyu Minchev, first deputy chief of staff of the Bulgarian People's Army [BPA]. He accompanied the eminent Greek general during his journeys round the country, and as a member of POGLED's Readers' Social Council was so kind as to inform us as follows.

[Grozdev] What are your impressions of Colonel General Nikolaos Kouris? The new political thinking also means talking frankly face to face...

[Minchev] He is a highly trained military specialist with many years of experience in leading the troops. His standards of judgement are high. He has a quick mind and a lot of topical knowledge at his fingertips, that is, he is extremely well briefed and has an excellent memory. General Kouris is a good conversationalist, calm, restrained, precise, and laconic in his assessments. It is clear from first sight that he has many long years of service in the Air Force.

[Grozdev] Realism requires us to note the existence of common and divergent interests. In actual fact this was a dialogue between representatives of two different military-political alliances, namely NATO and the Warsaw Pact. What issues were uppermost in the talks?

[Minchev] I must say that the talks were lively, interesting, and frank. As is known, the eminent Greek general was visiting at the invitation of Colonel General Atanas Semerdzhiev, first deputy minister of national defense and chief of the BPA General Staff. He was also received by Army General Dobri Dzhurov, Minister of National Defense. The good political atmosphere that has been created in Bulgarian-Greek relations is a condition for the dialogue

between such high-ranking military leaders. I will use this opportunity just to remind you of the historic Declaration of Friendship, Good-Neighborliness, and Cooperation between the two countries that was signed in September 1986. It is natural for the talks that were held to have a favorable effect on the further development of good-neighborliness and cooperation. They will naturally also have an effect on issues in the military field.

The general accent in the dialogue was on those things that draw us together. This is in the interests of the two peoples and of peace and calm in the Balkans. Of course, this will not be the only such visit. The two countries' military leaders will continue to maintain links in the future.

I wish to stress that a great step has been made on the path of mutual trust, but a lot more work remains to be done in order to achieve the goals and tasks that our governments have set us. I am thinking primarily of a sharp reduction in the military confrontation and cutting arms and armed forces to the lowest possible level. Army General Dobri Dzhurov personally explained to Colonel General Nikolaos Kouris the military doctrine of the Warsaw Pact member states recently adopted in Berlin. The Greek general stated that they are happy about their northern border, as there are no breaches there. It is precisely this situation that creates a climate of trust and security.

[Grozdev] Did you discuss the cyprus problem and the big Turkish military exercises in the Aegean?

[Minchev] Particular attention was given to the problem of Cyprus. Our country's position is well known: We are for a just, peaceful, and lasting settlement of this problem through preserving the island's independence and territorial integrity, sovereignty and nonalignment, while taking the interests of the Cypriot Turks and Greeks into account. This position is a position of support.

It is indeed so that big military maneuvers have recently been taking place in the Aegean. This is an attempt on the part of Turkey to exacerbate the situation in the region and to interfere in the internal affairs of the Republic of Greece, that makes no contribution to consolidating peace and security in the Balkans.

[Grozdev] It is well known that the Greek general visited military schools and attended a military exercise. What conclusion may be made from what you have told us? What impressed him the most?

[Minchev] He said some kind words about our barrack and training facilities and the modern equipment used in the training process. His attention was drawn to the harmonious combination of historic traditions in military training with the use of modern computer equipment.

He said that he would never forget that he was welcomed in Bulgaria with bread and salt, according to the old popular custom. In this connection I would like to add a further detail. It so happened that on the third day of this visit General Kouris learned that a grandson had been born to him and baptized in his name. The commander of the unit where the exercise was taking place

congratulated the Greek general and expressed the hope that the lad would become a tank man. Yes, said the visitor, but I hope he will be as good as you--I was delighted by our accurate shooting.

[Grozdev] The general was also accompanied by his wife, is that not so?

[Minchev] Yes. A different program was arranged for his wife: visits to fashion shows, kindergardens, and shops, and meetings with the women's councils in the garrisons visited.

[Grozdev] What practical steps lie ahead, in your opinion, in the development of Bulgarian-Greek relations?

[Minchev] These elations already possess a tradition, linked with the name of our first party and state leader Todor Zhivkov. It is also linked with the names of Yioryios Papandreou and Konstandinos Karamanlis, as well as with the name of the present prime minister, Mr Andreas Papandreou. As far back as 1964 the famous 12 accords were signed, which even now serve our bilateral cooperation. Of course, there still exist many unutilized possibilities, including certain measures in the field of defense. As Andreas Papandreou said, light can now be seen at the end of the tunnel. And this is the light of the new political thinking. On his very first friendly visit to Bulgaria, Colonel General Nikolaos Kouris recalled and emphasized this thought.

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NEW REGULATION FOR OFFICIAL TRIPS ABROAD

AU151702 Sofia RABOTNICHESKO DELO in Bulgarian 14 Jul 87 p 6

[Text] In Issue 54 of the State Gazette an extract is published from the Regulation on Official Trips and Special Training Abroad, adopted by decree of the Council of Ministers on 2 July. The main requirement when sending persons on official trips and special training abroad is the achievement of a high economic, social, or other effect for Bulgaria, for the accelerated introduction of technical progress, and for front-ranking experience, with the most appropriate and economical expenditure of the financial means.

The official orders for trips abroad are issued for the leaders of government departments by the chairman of the Council of Ministers, and for the leaders of associations by the chairman of the relevant council under the Council of Ministers. Departments may send up to three Bulgarian specialists abroad to attend working conferences arranged by international organizations and to take part in bilateral commissions, but for such conferences the maximum use must be made of the services of specialists attached to the Bulgarian representations in the country where the conference is held.

Workers who are sent abroad for special training must be good specialists in the appropriate field, possess the required language skills, and be familiar with the information available in the country and with its currency regime. Young specialists may be sent for special training in non-socialist countries if they have at least three years service in the special field concerned. Persons may be sent abroad for a second time to non-socialist countries for special training no sooner than five years after their return from the first period of training. It is also permitted to send a worker abroad at his request in order to study foreign experience, take part in a scientific conference, symposium, or competition, or for work on an academic thesis, in which case the equivalent cost in leva of the foreign currency, travel, and all other expenses are charged to the individual sent abroad. It is not permitted to combine an official trip with a private journey. A person sent abroad on an official trip may travel to the countries adjoining Bulgaria in his own private car.

The total duration of all types of official trips by an individual during each calendar year must not exceed 45 days. A delegation may stay in a foreign country for up to five working days.

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PAPAZOV SPEAKS AT JAPAN CP ANNIVERSARY

AU181655 Sofia RABOTNICHESKO DELO in Bulgarian 16 Jul 87 pp 1,5

[Report on the BCP Central Committee greetings message on the 65th anniversary of the Communist Party of Japan (JCP) and the 95th birthday of its honorary chairman, Sanjo Nosaka, read on 15 July at Tokyo's festive meeting by Nacho Papazov, chairman of the BCP Central Control-Auditing Commission]

[Text] On 15 July the JCP festively marked its 65th anniversary and the 95th birthday of Sanjo Nosaka, honorary chairman of its Central Committee.

Nacho Papazov, chairman of the BCP Central Control-Auditing Commission, read the greetings message of the BCP Central Committee. He stressed that the Bulgarian Communists express their solidarity with the JCP in its struggle to defend the rights of the Japanese working people, against the threat of a nuclear war, and protecting world peace. Comrade Nacho Papazov awarded Sanjo Nosaka, honorary chairman of the JCP Central Committee and collaborator of Sen Katayama, [spelling as transliterated] founder of the JCP, and of Georgi Dimitrov with the "Georgi Dimitrov" Order, bestowed on him by the Bulgarian State Council. The awarding of the highest Bulgarian order, which carries the name of Georgi Dimitrov, the figure of the Bulgarian and international communist movement who is deeply respected by the Japanese Communists, was greeted by the participants in the festive reception with stormy applause.

Comrade Nacho Papazov read the greetings message of Todor Zhivkov, general secretary of the BCP Central Committee, to Sanjo Nosaka, which reads:

On behalf of the BCP Central Committee and on my personal behalf I most cordially greet you on your 95th birthday and on you being awarded the "Georgi Dimitrov" Order by the State Council of the People's Republic of Bulgaria.

We greet in your person the noted figure of the Japanese and International Communist Movement and collaborator of Georgi Dimitrov. You being awarded the highest Bulgarian order is an expression of our recognition of your long-lasting contribution to the struggle against fascism and militarism, for peace, democracy, socialism, and social progress.

The celebration of your 95th birthday coincides with the 65th anniversary of founding the JCP. In this context I would like to express our friendly greetings, real sympathy, and solidarity with all Japanese Communists, as well

as our readiness to work further for strengthening relations and cooperation between the two fraternal parties.

I wish you good health, happiness, and creative longevity.

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LEADERS AT FESTIVE LEVSKI TATTOO IN KARLOVO

AU171930

[Editorial report] Sofia Domestic Service in Bulgarian on 17 July begins at 1758 GMT a 33 minute live relay from Karlovo, the birthplace of Vasil Levski, in Plovdiv Okrug, of a festive parade and tattoo held there to celebrate the 150th anniversary of the birth of the famous Bulgarian revolutionary hero. Reception is fair to poor.

Reporter Gerov describes the scene in the crowded and festively decorated Vasil Levski Square in Karlovo, where representative detachments of troops, young pioneers, Komsomol members, etc., are drawn up on parade. At 1800 GMT the officer commanding the tattoo, Lieutenant Colonel (?Tsonev), can be heard reporting to the inspecting officer, Major General Dimitur (?Peshov), after which the tattoo begins.

Reporter Gerov states that "the following are present on the official platform in Vasil Levski Square in Karlovo: Comrades Georgi Atanasov, Grisha Filipov, Dobri Dzhurov, Yordan Yotov, Milko Balev, Pencho Kubadinski, Petur Tanchev, Stanko Todorov, Andrey Lukanov, Dimitur Stoyanov, Petur Dyulgerov, and Stoyan Markov; leaders of Plovdiv Okrug and Karlovo Municipality; leaders of sociopolitical and mass organizations; and generals and officers of the Bulgarian People's Army."

The proceedings of the tattoo continue to the sound of a military band. People's Artist [name indistinct] Gerasimov is heard declaiming Ivan Vazov's poem "Levski."

At 1810 GMT, as the military band plays solemn music, two speakers read out the revolutionary roll of honor, headed by Vasil Levski but also including many other Bulgarian revolutionaries, briefly recalling the contribution of each to the liberation of Bulgaria from the Turkish yoke.

At 1819 GMT Lt Col (?Tsolev), the officer in charge of the parade, reports to the official tribune, Gerov states that "his report is received by Georgi Atanasov, chairman of the Council of Ministers."

At 1823 GMT reporter Gerov states: "At this moment officers of the Bulgarian People's Army are laying wreaths at the Levski memorial in the name of the BCP Central Committee, the State Council, and the Council of Ministers, the

Fatherland Front National Council, the Permanent Board of the Bulgarian National Agrarian Union, the Central Council of Bulgarian Trade Unions, the Komsomol Central Committee, Plovdiv Okrug BCP Committee and Plovdiv Okrug People's Council, Karlovo Municipal BCP Committee and Karlovo Municipal People's Council, and the public of Karlovo." As the tattoo continues, Gerov ends the live relay at 1831 GMT.

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BRIEFS

FILIPOV, LUKANOV MEET MINISTER--Sofia, 17 July (BTA)--Mr Grisha Filipov, member of the Politburo and secretary of the CC of the BCP, Mr Andrey Lukanov, alternate member of the Politburo of the CC of the BCP and first deputy chairman of the Council of Ministers, and Mr Dimitur Stanishev, secretary of the CC of the BCP, had a meeting with Mr Pedro de Castro Van-Dunem, member of the Politburo of the CC of the MPLA-Party of Labor, state minister for Production and Economic Coordination and minister of Energy and Petroleum of Angola, who is on a brief working visit to this country at the invitation of the CC of the BCP. They discussed the condition of Bulgaro-Angolan relations, which undergo favourable development. Readiness was expressed for widening of the fraternal relations between the BCP and the MPLA-Party of Labor, for activation of the economic cooperation in different spheres. The participants in the meeting stressed the need of constant, growing efforts for realization of the initiatives of the USSR and the other socialist countries for nuclear disarmament, for strengthening of peace and security in the world. The two sides emphasized the increasing importance of the struggle against imperialism's neoglobal ambitions, against colonialism, neocolonialism, apartheid and all other forms of national and social oppression. ["Bulgaria, Angola: For Broadening of Fraternal Relations"] [Text] [Sofia BTA in English 1801 GMT 17 Jul 87 AU] /12913

SPORTS AGREEMENT WITH N. KOREA--Sofia, 20 July (BTA)--At the invitation of the Central Council of the Bulgarian Sports Union, a delegation of the DPRK Physical Culture and Sports Committee, led by Mr Kim Yu-sun, chairman of the committee, president of the National Olympic committee and member of the International Olympic Committee. The sides considered questions concerning the international sports and Olympic Movement. A long-term agreement on the further improvement of cooperation in physical culture and sports until the year 2000 was signed today. [Text] [Sofia BTA in English 1747 GMT 20 Jul 87 AU] /12913

LEADERS ATTEND KOLAROV ANNIVERSARY--On 16 July we shall mark the 110th anniversary of the birth of Vasil Kolarov, a noted figure of the Bulgarian and international revolutionary workers movement and leader of our party and state. On this occasion a festive meeting took place on 15 July in Sofia. It was attended by Comrades Georgi Atanasov, Grisha Filipov, Yordan Yotov, Petur Tanchev, Pencho Kubadinski, Stanko Todorov, Petur Dyulgerov, and Dimitur Stanishev. In his report comrade Stanko Todorov spoke on Vasil Kolarov's life and stressed that it was marked by Kolarov's bright and militant personality,

striving toward the historical goal, and boundless loyalty to the revolutionary theory and the proletarian cause. [Text] [Sofia Domestic Service in Bulgarian 1730 GMT 15 Jul 87 AU] /12913

ATANASOV RECEIVES PDRY OFFICIAL--Sofia, 15 July (BTA)--Mr Georgi Atanasov, member of the Politburo of the BCP CC and chairman of the Council of Ministers, received today Mr Mahdi 'Abdallah Sa'id, chairman of the Supreme Committee for People's Control of the People's Democratic Republic of Yemen. The guest was briefed on the policy of qualitative growth in all spheres of sociopolitical and economic life in Bulgaria. Mr Mahdi 'Abdallah spoke about last month's conference of the Yemen Socialist Party which emphasized on the unbreakable unity of Yemen's socialists with the Communist Party of the Soviet Union and all other fraternal socialist parties. The PDR of Yemen, he said, is determined to continue with the policy of socialist construction. The two politicians noted the importance of the exchange of information between the two countries' controlling authorities. [Text] [Sofia BTA in English 1158 GMT 15 Jul 87 AU] /12913

DOYNOV, MACEDONIAN DELEGATION--Sofia, 7 July (BTA)--A delegation led by Mr Srdjan Kerim, president of the Committee for Economic Relations With Foreign Countries of the Socialist Republic of Macedonia and member of its Executive Council, is currently visiting this country. He held his final talks today at the "Biotechnological and Chemical Industry" Association. The participants noted the need to further activate the relations between the enterprises of the association and their partners from the Socialist Republic of Macedonia. The two sides discussed questions of the broadening of the barter, as well as the preparation of a long-term programme for industrial, technological and investment integration. It was decided to establish consortia in the chemical industry and engineering activity, and was noted that these are modern and efficient forms of cooperation. Agreements were reached for cooperation and joint production of air conditioning equipment. The delegation had meetings with Mr Ognyan Doynov, deputy chairman of the Council of Ministers and chairman of the Economic Council, and with chief executives of associations and economic organizations. [Text] [Sofia BTA in English 1755 GMT 7 Jul 87 AU] /12913

CSO: 2200/117

IDEA OF SOCIAL JUSTICE DEFENDED

Prague ZEMEDELSKE NOVINY in Czech 29 Apr 87 p 2

[Article by Jan David: "Let Us Fight For Social Justice"]

[Text] In conjunction with the program to accelerate the socioeconomic development of our society, the interest in the issues of social justice and its enforcement is understandably increasing. There is a legitimate, urgent need to fully respect the practical and also the theoretical implication of the principle of social justice both in view of the goals stipulated by the 17th CPCZ Congress for the Eighth 5-Year Plan and in view of the further development of our socialist society because in our experience the enforcement of the principle of social justice has been very controversial and difficult, and in some instances nonexistent.

Indeed, it has caused frequent disharmony between the recognition of general verities and a passive attitude to specific instances of their violation. This is the notorious discrepancy between the words and the deeds—a conflict that, if left unresolved, endangers the wholesome ethical and political growth particularly of our young generation.

Social justice is determined by history and by class. Its contents change with the changes in historical circumstanjes. Different ideas of social justice prevailed at the beginning of the organized workers' movement, others after the workers' class assumed political power, and different ideas prevail now. In the early stages of the building of a socialist society the implementation of all socialist principles seemed simple and matter-of-fact, but before long it was evident that this historical task is uncommonly difficult. In this respect the lessons we have learned from experience did not come exactly cheap.

Socialist ownership of the means of production consistently prevents man's exploitation by his fellow man and thus, has eliminated the main causes of social injustice. Therefore, we must safeguard it even now as best we can, but that is only the beginning of the implementation of the principle of social justice.

Everyday we all see ample evidence that our highest party and state leadership pays constant attention to the issues of social justice. In this conjunction we absolutely cannot disregard the effect of the USSR

example because Soviet communists--and in unity with them, all honest Soviet working people--have begun most vigoriously and with the necessary openness to implement the principle of social justice. In the Political Report of the CPSU Central Committee to the 27th CPSU Congress we may find an accurate definition of the concept of social justice and the explanation why it is imperative to be constantly concerned about the principle of social justice.

At present most discussions about the implementation--oraas the case may be, the non-implementation--of the principle of social justice in our country are undoubtedly focused on the principles of distribution according to one's work. This fact is not based at all on the maxim that money is our last--and foremost--concern. In his explanation why David Ricardo, a fanatic of production, called distribution the essence of political economy, Karl Marx said that the economic contents of society are most distinctly reflected in its attitude to distribution.

Unfortunately, it is undeniable that in distribution, or rather, in rewards according to one's work, we do not apply the principle of social justice as we should. On the one hand, the often criticized equalization continues, and on the other, so do the unwarranted conspicuous differences in people's wages and especially in their total incomes. Both are two sides of the same coin, and represent the failure of social control in the process of distribution according to work.

After all, the documents of the 17th CPCZ Congress provide ample proof that our highest party echelons, our foremost economists and our trade unions as well as individual experts in various branches of national production are emphatically calling for the enforcement of social justice. This logically leads to the question: What, or rather, who is obstructing the implementation of this principle in our society?

Reality provides an answer that may be found directly in the documents of the congress. The obstacles are set by some administrative agencies, by some prominent economists and also by some trade union organizations. However, we have sufficient reason to admit that we still do not know how to balance in our daily praxis the amount of work with the amount of consumption.

For the time being the economic theory owes much to the analysis of problems of distribution according to work, or--as it is now called--to the implementation of the merit principle. There is lack of the indispensable dialectic mediation between the general theory of distribution according to work, based in particular on Marx's views, and the wage system now in force. Moreover, our current economic mechanism bears considerable responsibility for the failure to enforce the principle of social justice in the area of distribution according to work.

Next to distribution according to work, distribution from the assets of net national product is of major importance in our society. Although these assets help substantially in balancing our people's living conditions, they are not charitable funds. We must realize that in situation it is obvious that the merit principle must be applied in the distribution of such funds.

In all pro[illegible]ility, we may have to apply this new idea also in such critical issues as, for example, housing problem, determination of old age pensions and other benefits, health care and other services paid from our state budget. Of course, in no case will this lead to any covert elimination of social benefits granted by our socialist society. On the contrary, the objective here is to prevent the above-mentioned advantages of socialism from being abused by those members of our society who do not wish to participate in the creation of vital resources. No work--no pay, but also, for instance, no medications and no textbooks.

In conclusion, let us ask another question: Why is the principle of social justice all of a sudden such a frequent topic of discussion? Can we answer frankly? Let us try.

Most likely it is so because this principle has been violated in our country for a long time. Nevertheless, if it is not enforced, the acceleration of our socioeconomic development will remain only a pipe dream. The fight for social justice in our society not only continues, it has reached--one may say--its critical stage.

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PARTY NOT SATISFIED WITH MEMBERSHIP QUALITY

Prague ZIVOT STRANY in Czech No 9, 1987 pp 20-21

[Article by Vaclav Vancata, department head in the Central Committee of the CPCZ: "Multiply the Effort Aimed at Improving the Quality of the Membership Base"]

[Excerpts] Developments thus far have shown that, in addition to the positive tendencies noted in implementing the contents of the resolutions from the third session of the Central Committee of the CPCZ into everyday practice in party organs and organizations, some shortcomings and problems are also being noted. They consist, for example, in the fact that in some of the basic organizations, although extensive measures were adopted, they solve only some partial problems of party work with their effect or their focal points are merely in the attainment of numerical changes in the membership base, changes in the acceptance of candidate members. The adopted measures did not always express the method by which growth in initiative and activity on the part of Communists is achieved, how political-organizational and ideological-educational activity will be developed in working collectives, how the quality and assurance of the necessary structure of the accepted candidates is to be improved, how the influence of the party will be strengthened by the purposeful deployment of Communists, how the share of youth and trade union organs and organizations will become more express, and in what manner economic managers will influence the socialist education of young people.

On the basis of these findings, the Central Committee of the CPCZ places emphasis on the consistent control of implementation of these measures and intentions of party organizations and organs into everyday life, their constant augmentation and tightening up on the basis of confrontation between the results achieved and the political needs at the work site and at other locations in harmony with the resolutions of the third session of the Central Committee of the CPCZ. Effective differentiated assistance must be rendered primarily to those basic organizations which are not solving ripe political questions, economic questions, social questions, and other tasks with sufficient influence and which are not easily overcoming various difficulties.

The results attained in the development and improvement in the quality of the membership base of the party during 1986 can be fleshed out with the addition of some numerical data. As of 1 January 1987, the CPCZ had more than 1.7

million Communists, virtually 119,000 of whom were candidate members. The membership base grew roughly by 25,000 Communists. In terms of the social class composition of the party, the position of the working class was further strengthened; workers, including pensioners, account for 44.4 percent of the membership base; the number of economically active workers also rose by 9,000 and now accounts for 31.5 percent of the membership base. In the overall increment of Communists, blue-collar workers accounted for more than 35 percent. The number of members of unified agricultural cooperatives in the party rose by 1.3 percent and their share in the membership base is now 6 percent. The increment on the part of the intelligentsia in the membership base represents 1.8 percent and this social group now accounts for 32.2 percent of the membership base. However, the development of the internal structure of the party is not fully commensurate with the intentions stressed at the third session of the Central Committee of the CPCZ because the number of technical-economic workers in state and economic organizations, as well as teachers, increased while the numbers declined in industry and in the construction industry and remain unchanged in the scientific-technical work sites, in design facilities, and in technology--in other words, in locations where the acceleration of scientific-technical progress is influenced substantially.

One-third of the membership base is made up of Communists who are younger than 36 years of age. Every second member of the party joined the CPCZ after 1970; after 1980 more than one-fourth of the Communists were accepted for party membership. A permanent feature of the development of the membership base is the growth of the educational level; virtually 79 percent of all Communists have a higher than basic education and every seventh member has attained advanced school qualification. The share of women in the party is growing constantly and has attained a level of 29.2 percent.

A significant influence on the changes of the membership base was exerted by the acceptance of candidate members of the party. In conjunction with the requirement to lower the growth rate of the membership base and, thus, also the number of accepted candidate members, their numbers declined, in comparison with 1985, by more than 5,000. However, it is necessary to prevent a lowering of the share of blue-collar workers among the candidate members accepted for membership in the interest of strengthening the blue-collar core of the party. The structure of those candidates accepted for membership last year did not fully reflect the need to strengthen the party's influence, particularly in material production and in sectors which are decisive with respect to acceleration of scientific-technical progress. It is definitely necessary to prepare young people for party membership, to make more responsible selections, to see to it that party influence is strengthened in the most essential sectors, and to assure the strengthening of the blue-collar worker core of the party. Changes in the class composition of the membership base must solve the development of individual social groupings within the party; with respect to blue-collar workers, the change must be in favor of workers in production processes; with respect to the intelligentsia, the need is to aim particularly at creative workers; and in the case of JZD members, the target should be young people who are connected with efficient equipment, are involved in the utilization of new scientific-technical findings and in using modern technological processes.

Of the overall number of accepted candidate members, some 68 percent actively participate in socialist competition. A third are active in committees of social organizations of the National Front, one-half of the total number of accepted candidate members are organized in the Socialist Union of Youth, and for almost three-quarters of them one of the guarantors is the basic organization of the Socialist Union of Youth. Only one-half of these young people went through some kind of political preparation prior to being accepted as candidate members of the party. The tasks which were assigned to them by the party organization at membership meetings in conjunction with acceptance as candidate members are aimed, for the most part, at a more active role in social organizations and at overcoming shortcomings in implementing economic policies of the party from the standpoint of the specific conditions at their workplaces. However, the aim of these tasks is frequently only formal and they are inadequately utilized to track the increasing of specialized and political growth of the candidates, the elimination of specific shortcomings at work sites, and the increasing of their influence on other young people.

Party organs and organizations devoted far more attention than was the case hitherto to strengthening discipline and to the fulfillment of the duties set for Communists by the party statutes. The number of members to whom basic organizations assigned party punishment grew expressly; this attests to the fact that these organizations are solving violations committed by some individuals more frequently and consistently.

The task of okres committees is to substantially improve the quality of management activity, to achieve an increase in their influence in basic organizations, and to perfect the system of working with these organizations, to orient attention toward decisive organizations, and to draw attention to areas where shortcomings are showing up. The experiences of last year also confirm that there were some deviations in the anticipated development and composition of the party ranks, something which will require much more consistent regulation in conjunction with the contents of the third session of the Central Committee of the CPCZ. Another no less important requirement is the permanent development of initiative, activity, and exemplary conduct by Communists, and the more effective prevention of the passivity of some party members in implementing CPCZ policy, increasing combativeness, strengthening discipline and responsibility among members and candidate members for the fulfillment of their work obligations, of party tasks, and adherence to party statutes.

Practice confirms that there is always something to be improved in the quality of selection, preparation, and education of young people for entrance into the party. This is primarily a matter of seeing to it that, in selecting future candidates, attention be paid to the requirements, among others, of what kind of influence these people have on the fulfillment of economic tasks, on the introduction of modern technology and equipment, and seeing to it that their acceptance would influence the contemporary social structure of the membership base in favor of blue-collar workers in production processes and among the creative intelligentsia.

Another weak spot continues to be the strengthening of party influence by the purposeful deployment of Communists, by the implementation of cadre measures,

and it is particularly here that a decisive role must be played by the okres committees through a more purposeful solution of this important question. Many hitherto unutilized reserves in improving the quality of work in okres committees lie in overcoming the elements of compartmentation in caring for the membership base of the party; they also lie in the fact that, in evaluating every important question, attention should simultaneously be paid to assuring the necessary party influence and the necessary method to be used in substantially strengthening it in the interest of the successful fulfillment of tasks; it is also this important requirement which is contained in the political-organizational support components of the resolutions passed by the third session of the Central Committee of the CPCZ, which were approved by the Presidium of the Central Committee of the party.

In the upcoming period it is also essential to eliminate the causes of and prevent the development of unjustified differences in implementing the resolutions of the third session of the Central Committee of the CPCZ among the various krajs, okreses, and basic organizations, to direct and channel development and improvements in the membership base in such a way that they would be commensurate with the contents of the resolution, that they would be used to universally perfect party work, to strengthen its task in society, and toward a successful mastery of the strategic policy line calling for the accelerated socioeconomic development of society.

Following the fifth session of the Central Committee of the party it is clear that the significance of the consistent and comprehensive realization of the resolutions of the third session of the Central Committee of the CPCZ is still rising. After all, this is a matter of such a pressing question as the good preparation of the party itself, of every Communist to support the task of restructuring society and accelerating its socioeconomic development. It is not possible to permit any kind of deviations from the content of the third session but, rather, to do everything emanating from it in everyday practice. The resolutions and tasks stipulated in that document are the primary criterion for evaluating results attained and for further progress. It is necessary to give up such intended improvements in the quality of party ranks, such forms and methods of work which do not correspond to the content of the new resolution, it is necessary to select new and more effective methods which will lead to a higher quality and greater activity on the part of the membership base and will show up in the greater action capability on the part of basic organizations. The results achieved in the development and in improving the quality of the membership base of the party cannot be overvalued and we must not fall into a status of complacency.

5911
CSO: 2400/318

BYDGOSZCZ PZPR PLANT VISITS STIR FURTHER COMMENTARY

Warsaw POLITYKA in Polish No 12, 21 Mar 87 p 5

[Text] On Monday 16 March, members of the party leadership--PZPR Central Committee Political Office and Secretariat--were in Bydgoszcz with first secretary Wojciech Jaruzelski; they visited many production establishments, institutions, and service establishments in the province. Basic party organizations also participated in the meetings. In the discussions, in which nonparty members also took part, previous implementation of 10th Congress resolutions was evaluated and Politburo propositions for the Central Committee 4th Plenum were discussed.

"What's bothering you? What shall I relay from you to the associates from the Politburo during tomorrow's conference?" Stanislaw Ciosek encourages the workers at the Elektromontaz Enterprise for Production and Assembly of Electrical Equipment for Construction in Bydgoszcz to make statements.

The secretary of the Central Committee came to the plant. So the workers had an opportunity to say what is bothering them.

People were excitedly curious. Earlier, during a tour of the enterprise, one of the cutting-room workers, asked how much he made, answered 20,000 zloty. "In your opinion, is this good pay?" asked S. Ciosek. "It's good," answered the worker. "This answer surprises me," said the Central Committee secretary then, "so I'd like to stir you up. I saw that you all work well, and assuming that this is the best of this type of firm in Poland, I believe that you should earn more. In that case, who is stealing your money?

"Wages could be higher if the rules of the game become clear, if we see it through to the end, and begin seriously to apply the principle of 'to each according to his work.' Would it not be necessary then to give up appropriations, to differentiate wages more, and to agree to inequalities in this area?

"From year to year a square meter of newly-built apartments becomes more expensive. But we look at what happens on Monday at many construction sites, what kind of mess often prevails there, and what waste there is. Who, then, is stealing your money? Who is taking part of the national income not due him? I'd like it if we could speak openly about these and other matters, for now I have a feeling that you are hiding your problems."

The atmosphere at the meeting of the Divisional Party Organization No 1 (24 members, including 19 workers) was indeed somewhat stiff. Successive participants in the discussion read their presentations, which were either congratulatory scrolls ("I was not disappointed in these members, whom I brought into the party, and they can be an example to others," and also "A good atmosphere prevails here, which is best attested to by the fact that no one must write to the authorities that something is not done for him") or so-called wishful thinking formulated as slogans ("work with youth and the education of the younger generation are important" and "we will gain trust if we are based on the premise that which we say coincides with truth"). "In order to activate youth" (out of over 1,000 individuals, mostly from the young work force--the average age is somewhat over 30 years--there are 19 members of and 10 candidates for membership in the ZSMP [Union of Socialist Polish Youth]) "it is necessary to use more attractive schooling methods, including the production of videocassettes on socio-political subjects."

Matters important to the work force were also discussed. The average wage in the enterprise--24,000 zloty--is sufficient only for survival, but not for family growth. It's not possible to save anything. It's not possible, for example, to set aside an apartment deposit, for nowadays one must pay 240,000 zloty for an M-4 in an unfinished state (last year it was still 158,000 zloty). Reporting, often not needed by anyone, takes people away from normal work. There is no preference for production for export. Deliveries are irregular. The new regulation on the wage fund, which set up a 12 percent growth barrier, slows production and does not permit our making another change. Regulations have become more and more comprehensive and complicated such that interpreting them causes problems even for economists, and a worker simply can't understand them.

Stanislaw Ciosek enlivened those in attendance with a series of questions which were more eagerly discussed during the meeting with the party and socio-economic aktiv following the POP [Primary Party Organization] conference. What is imperfect in the mechanisms of reform and of its second stage? If the rules of the game are not proving true, should they be changed? Is the director annoyed by the fact that he is elected? Should the director be in first place on the payroll? Is the pay scale motivational, and what should be the ratio--1:2 or, for example, 1:5? (Half the workers thought it should be 1:2.) Is the question "what will I get out of it?" really an inappropriate question? Is the existence of associations a positive phenomenon? Does the party interfere too much in the economic affairs of the enterprise? (Voices from the hall: no.) Ciosek asks "And more Solidarity?" (out of 20 people, 8 raised their hands). Who in the executive aktiv does not belong to the party? (several hands in the air). When you are chosen to work abroad is membership in the party and in the former Solidarity taken into consideration? (voices from the hall: no, to which Ciosek responds "And very well"). Who is an adherent of the presently applied policy of distribution during price increases? And would it perhaps be necessary to raise prices radically and to do away with allocations, and would prices reach market balance? To implement fair rules of the game which would be instrumental in economic development? This would require about a 40 percent increase in prices. A voice from the hall: As is known, existence shapes awareness, so no increase

will be popular, for it offers no prospects and only winds the inflationary spiral. Is it asked in the Center whether it would be worth freezing prices, costs, and wages?

However, the discussion had to end. It was approaching 6 pm, and at that time Ciosek had to be in the Voivodship Committee. We rode there in a Nysa, behind a police radio car with a turning vane and in front of an ambulance. The next day, Tuesday, the outgoing meeting of the PZPR Central Committee Politburo took place in the Voivodship Committee seat.

13324/13046
CSO: 2600/513

ECONOMICS DOMINATES PZPR VOIVODSHIP PLENUMS

Local Situation Criticized, Queried

Warsaw TRYBUNA LUDU in Polish 6 Apr 87 p 3

[Report and interview by Jan Rutkowski on Bielsko Biala PZPR plenum]

[Text] The subjects discussed at Saturday's plenum of the PZPR Voivodship Committee (VC) included a report on the socioeconomic situation in the voivodship in 1986 and the tasks for the voivodship party organization ensuing from the PZPR CC Third Plenum resolution, with special consideration to the problems of technical progress.

During the meeting, which was conducted by the VC first secretary, Stanislaw Habczyk, the need to improve management efficiency was underscored, tying this closely to the tasks stemming from the second stage of economic reform.

Franciszek Giecek, worker from the Ustron forging shop, said "The weak and incompetent must leave. All indolence must be identified. Party members must inspire the workers self-managements to wage a more decisive battle with waste and inefficiency in the factories." And Walter Caputa, from the Voivodship Engineering and Efficiency Improvement Club reports that 65 percent of the efficiency improvement designs submitted and accepted in Bielsko voivodship have still not been applied. He said that the main fault for this lies with the workplaces which are often not able to take advantage of their own potential in this regard.

The materials prepared for the plenum contain a statement that according to a preliminary estimate made by the bank, as many as 111 economic enterprises in Bielsko voivodships do not have an established credit rating and six of them have already lost their rating and have instituted remedial programs. The PREMA-BEFARED Precision Instruments Factory is one of these six. Elsewhere in these materials is mention of the fact that BEFARED is one of the enterprises with the highest machinery depreciation rate in the region.

We called on the first secretary of BEFARED's Primary Party Organization to tell us what the plant's party organization intends to do to improve the economic situation.

[Answer] First of all, we must put materials management in order. This coming Monday at the meeting of the executive board we will learn the first results of this undertaking. Last year we froze too much capital in stocks, and as a consequence we ran out of money for credit payments and our own needs.

[Question] You have prepared a detailed plan to recover from this critical situation. What do you propose in it aside from a review of warehouse inventory and a reduction in stocks?

[Answer] Among other things, how price policy is to be conducted. As a result of the multiplicity and diversity of production, and frequent changes in the prices of supplies, we were not able, by manual calculation, to figure prices on all products which would correspond with current costs and we lost on this. We have now bought computers and are trying to catch up.

[Question] Would it not constitute a danger to the purchasers of your products that in this way you may want to greatly improve your profits?

[Answer] No, because as a party organization, we will watch this very closely. There are other ways of improving profitability and we are taking note of them. For example, we believe that our wage system, which is based on piece-work, puts too much emphasis on quantity and not enough on quality. We have to change this. There is still a lot which could be done in improving work discipline. We cannot tolerate bad work because we do not have enough people to work at the machines, and unfortunately, that is how it has been here thus far.

Elblag on Stagnant Production

Warsaw TRYBUNA LUDU in Polish 6 Apr 87 p 3

[Report by Zbigniew Wrobel on Elblag PZPR plenum]

[Text] The members of the voivodship committee in Elblag began their discussion on tasks relating to acceleration of improvement in the economy, as set forth in the PZPR CC Third Plenum resolutions, with an objective and very critical assessment of the state of management in the region.

A 68 percent increase in production was obtained in Elblag voivodship, it was said, but only a 38 percent growth in sales or assortment changes. The enterprises earned 13 billion zlotys in profits, but they also received 9.7 billion zlotys in zlotys, and if this were deducted, industry's profits would drop by three-quarters. At the same time, the gap between labor productivity and earnings is widening. For example, in the Fruits and Vegetables Industry Plants in Kwidzyna wages rose almost 27 percent and productivity dropped 23.5 percent.

Under these circumstances, the mistakes and shortcomings in Elblag industry deserve severe and honest criticism. "There is the risk that we are becoming accustomed to living in a crisis situation," said Feliks Talaska,"and this means stagnation. In view of the tasks which the Third Plenum resolution sets

forth, we must fight routine and ossification more effectively. We must stimulate innovation and dynamism in operations and remove the bureaucracy in the organization and political work of the party."

"We must exercise party supervision not only over the work itself, but also over the reliability and consistency in the application of the second stage of economic reform. We must see to it that enterprises do not tolerate carelessness and do not treat tasks merely as a formality to be observed. Economic failures," said Jan Sokolowski from ZAMECH, "are not, as examples in our voivodship would indicate, caused only by external factors. The enterprises themselves, who do not understand or who do not want to understand the principle of economic reform, are also to blame."

"Work time is not being efficiently utilized," said Zbigniew Czyzarski from Braniew. "A great deal can be done in the way of thrift, but the point is that the measures not be merely ostensible. We must establish in the voivodship a system of party evaluations, stimulate the activeness of all party members so as to constitute a vanguard to inspire the application of scientific and technical progress and greater interest by workers in the economic figures of the enterprises."

The meeting was chaired by the first secretary of the PZPR CC in Elblag, Boleslaw Smagala. The resolution which was passed at the conclusion of the meeting contained tasks for the party echelons and organizations in the implementation ofregional tasks ensuing from the PZPR CC Third Plenum resolution.

More Activism, Self-Criticism Needed

Warsaw TRYBUNA LUDU in Polish 10 Apr 87 p 2

[Report by Henryk Prawda on Szczecin PZPR plenum]

[Text] The voivodship's socioeconomic situation and the tasks of the party organizations and echelons in the economy were discussed at the 9 April meeting of the PZPR VC plenum in Szczecin. Szczecin voivodship has made a good beginning in implementing this year's economic tasks, despite the severe winter and the disruptions in the delivery of electricity and natural gas.

But these were not the only matters discussed. Stanislaw Miskiewicz, VC first secretary, emphasized that in conducting party activities the focus should be on overcoming the negative aspects, of which there is no shortage in this region. These include the growth in production costs, the application of unwarranted contractual price increases in many market plants, the drop in accumulation, the sluggish pace of execution of capital investments, the growing inefficiency in sea and air transport, confusion in the employment market, less than full utilization of work time, and waste.

The party organizations must react very critically and boldly to all of these negative aspects, which are pulling our economy backwards. They must hold management personnel accountable for the tasks entrusted to them, which,

unfortunately, is not always done. At the same time, the primary party organizations should stimulate the energy of the public and activeness among the workforces.

The plenum in Szczecin acknowledged that one way of stimulating economic activity in the voivodship, including activity to improve order, appearance and management, is through the Civic Action Week, which will be held 25-30 April.

Qualified Agricultural Production Increases

Warsaw TRYBUNA LUDU in Polish 16 Apr 87 p 6

[Report by Jan Urbanowicz on Koszalin PZPR Plenum]

[Text] Three years ago at the joint meeting of the PZPR VC and the ZSL SC, a program for the development of agriculture in Koszalin voivodship to the year 1990 was approved. The PZPR VC plenum held on 15 April and conducted by the first secretary, Eugeniusz Jakubaszak, was devoted to an assessment of the implementation of this program by the public farming sector.

Both in the executive board paper delivered by VC secretary Jozef Lewandowski, as well as in the discussion, it was stated that real progress was made in socialized farming in the last few years. Proof of this is the fact that better than average crop yields are being obtained in the voivodship. Last year, which was a record year, crop yields were two quintals higher than the average in the voivodship. Potato crops were higher by 10 quintals.

However, only some enterprises contributed to this achievement. There are still very large differences in farming, even under similar soil and weather conditions.

Stanislaw Minkiewicz, first secretary of the Primary Party Organization in Kalisz Pomerania State Farms, said that results heretofore in agriculture show that over 11,000 party members are employed there, they are concentrated in over 700 primary and basic party organizations, and are performing their duties well. However, today's agriculture, if it wants to be intensive, cannot get along without deliveries of commercial means of production.

The VC passed a resolution approving the past activities of the party organizations and echelons.

Kazimierz Grzesiak, manager of the agricultural department of the PZPR CC, participated in the meeting.

Gdansk Housing Production Criticized

Warsaw TRYBUNA LUDU in Polish 27 Apr 87 p 2

[Report by Zbigniew Wrobel on Gdansk PZPR plenum]

[Text] The deliberations of the Gdansk PZPR VC plenum, which on 25 April assessed the prospects of the execution of investment plans, and especially housing construction on the Coast in 1987-1990 by regional enterprises, was preceded by an honest analysis of the situation, prepared by a party-professional group.

Last year, for example, construction firms completed 500 apartments less than provided in the plan, and the results of this year's first quarter continue to show that the regression is worsening. The present rate and style of work, it was said at the meeting, which was chaired by the candidate member of the Politburo and the VC first secretary in Gdansk, Stanislaw Bejger, does not indicate any possibility of completing the tasks of the present 5-year plan or the implementation of the "Gdansk 2000" program approved 2 years ago.

Those attending the plenum tried to avoid criticism in their utterances of the well-known reasons for the weaknesses of the construction industry. Instead, they submitted realistic proposals to improve the investment process insofar as they and the region were able. They outlined a path of criticism which Gdansk construction can follow in solving existing problems.

The VC plenum decided that the party organizations must react more vigorously to all signs of waste, carelessness, poor work organization, and lack of responsibility on construction sites.

Food Industry Problems Noted

Warsaw TRYBUNA LUDU in Polish 27 Apr 87 p 2

[Report by Henryk Heller on Leszno PZPR plenum]

[Text] Over 33 percent of those employed in the Leszno public sector are workers in the farm-food industry. Their share in total production in the voivodship exceeds 63 percent, of which 30-35 percent is for export.

While crop yields grow steadily and animal-breeding results are good, the processing industry in Leszno does not ensure that raw materials are being managed efficiently and therefore the anticipated improvement in availability of food articles in the marketplace is not occurring.

What should be done to change this situation, to ensure that the farmer's labor is not wasted but is being fully used to feed the populace and improve the state economy? Those were the questions asked at the plenary meeting of the PZPR VC in Leszno on 25 April. The meeting was conducted by the VC first secretary, Stanislaw Sawicki, and was attended by Kazimierz Grzesiak, head of the PZPR CC Agricultural Department.

Party Role in Education

Warsaw TRYBUNA LUDU in Polish 27 Apr 87 p 2

[Report by Czeslaw Kubasik on Legnica PZPR plenum]

[Text] Party activeness in educational circles was the subject of the PZPR VC plenary meeting in Legnica on 25 April. The plenum was attended by Marian Orzechowski, Politburo member and minister of foreign affairs, and Joanna Michalowska-Gumowska, minister of education and upbringing.

In the opinion of the voivoidship echelon, many party educational organizations are still too weak, said Zbigniew Korpaczewski, VC secretary, in the executive board paper..

In addition to recommendations on enhancing party work in the educational community, particularly in the shaping of commitment by teachers, the resolution that was passed included an appeal to party organizations and members to take part in the building oflarger influence by teachers-upbringers.

Tarnow Studies Housing Shortage

Warsaw TRYBUNA LUDU in Polish 27 Apr 87 p 2

[Report by Jolanta Zajac on Tarnow PZPR plenum]

[Text] An assessment on how housing construction needs are being met and the situation by 1999 was the subject of the PZPR VC plenum in Tarnow on 25 April. Wladyslaw Loranc, head of the PZPR CC Ideological Department, took part in the meeting, which was chaired by the VC first secretary, Wladyslaw Plewniak.

During 1981-1985, 13,761 dwellings were completed in the voivodship, of which 6,400 were multifamily public housing construction. This corresponds to construction in the early 1970's. As a result, almost 25,000 people are on waiting lists in cooperatives. The severity of the problem is underscored by the fact that the density index per one habitable room is 1.26 and puts this voivodship in last place in the country.

A resolution passed at the conclusion of the plenum points to the urgency to construct over 15,000 dwellings over the 5-year period. It defines, in detail, the tasks, the date by which they are to be accomplished, and the institutions and offices directly responsible for their implementation.

Industrial Production, Problems Studied

Warsaw TRYBUNA LUDU in Polish 24 Apr 87

[Report by Jolanta Zajac on Krakow PZPR plenum]

[Text] The party plenum, held in Krakow on 23 April and conducted by Jozef Gajewicz, PZPR Krakow Committee first secretary, defined the tasks of the

primary party organizations in the implementation of basic economic goals ensuing from the PZPR CC Third Plenum resolution.

In the introductory paper read by Jozef Szczurowski, Krakow Committee secretary, it was stated that Krakow industry last year exceeded the tasks contained in the national and voivodship annual plan. But this achievement cannot overshadow the shortcomings which exist. The development of export production is inadequate and job stations are not being fully utilized. Losses due to poor quality in the first 6 months of last year alone amounted to 2.5 billion zlotys and did not diminish in comparison with the preceding period.

Only in a few enterprises has the structure of production and its modernity improved. The rate of application of scientific-technical progress is low. Interest in application of inventions has also dropped.

In taking the floor during the discussion, Andrzej Byrski, first secretary of the factory committee in UNITRA-TELPOD, appealed "The time for establishing goals has passed--it is now time to honestly achieve them. This is not an empty declaration, underscored the speaker. UNITRA each year, with a minimal rise in employment, increases export production an average of 20 percent. That is the result of the reward for modernity."

And more can yet be done, affirmed Stanislaw Smietana, director of the Krakow Treasury, who recalled that last year alone losses for nonutilization of machinery and equipment, ordinary thievery, and losses of raw materials in Krakow enterprises, amounted to over 3 billion zlotys. For example, Pokoj [Peace] Disabled Persons Labor Cooperative lost over 34 million zlotys because it failed to safeguard public property.

"But not all of this depends exclusively on us," said Antoni Nowakowski, "first secretary of the Skawina Metallurgical Works plant committee. We cannot expect an enterprise to manage efficiently when prices are in disarray, particularly in the case of transactional and official prices."

In this situation, it was underscored in the discussion, the most important tasks of the party organizations and echelon now are actions aimed at a growth in production and the ingenuity of the workforces. These tasks were embodied in the resolution passed by the party's Krakow Committee at the conclusion of the meeting.

Pre-Plenum Discussion Meetings

Wroclaw GAZETA ROBOTNICZA in Polish 9 Apr 87 p 1

[Article by (ch): "Meeting of PZPR VC Executive Board in Legnica"]

[Text] Yesterday the executive board of the PZPR VC in Legnica expressed its opinion on how "Information Day" went in the voivodship party organization. Meetings with VC lecturers, who are recruited from the voivodship's management cadre, take place every third Wednesday in 35 places in selected workplaces and socio-occupational centers. Over 1,700 people participate in the sessions

each time. It has been determined that this form of party education has contributed in an important degree to improving the flow of information and raising the aktiv's political consciousness.

Materials have been approved for the next meeting of the VC, which will take place on the 24th and will be devoted to party work in the educational circles. The executive board members also familiarized themselves with the WKKR report on implementation of the Tenth Congress resolutions on strengthening the role of the primary party organizations.

9295
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DELEGATE DISCUSSES SEJM ROLE, CONSULTATIVE COUNCIL

Warsaw POLITYKA in Polish No 23, 6 Jun 87 p 6

[Interview with Prof Ryszard Bender, by Zdzislaw Zaryczny]

[Text] [Question] Professor, I am interested in your comments after a year and a half as deputy and observer of the government from the proximity of the "kitchen...."

[Answer]...I would not call it the "kitchen" of the government, because if there is such a "kitchen" anywhere, it is not in the Sejm. The Sejm is more of a "salon" of the government, particularly the plenary sessions with their academic atmosphere, a certain lofty theater.

Of course I see an enormous difference in comparison with the seventh term, when I was seated in the High Chamber for the first time. Then, for 4 years, 1976-1980, with 460 deputies, there were 6 contrary votes, of which 4 were mine. This speaks for itself. Today there are many contrary votes and many abstentions, but the academic tone has not yet completely disappeared. Declarations continue to predominate in the speeches of the deputies. Disputes and criticisms rarely appear.

[Question] Surely you are not complaining about that?

[Answer] No. I usually have a few adversaries. Deputy Jerzy Jaskiernia, in particular, is "faithful" to me in this respect, and I can thank him for other things, also. This does not change the fact that there is not enough argumentation in the Sejm, not enough effective repartee, or noisy interruptions--everything which gives a parliamentary debate character, a lively tone, and sometimes makes legend of it.

Generally speaking, I share deputy Alfred Miodowicz's fear that our Sejm may become only a "mailbox into which to drop various government projects..."

[Question] But no one restricts the independence of the deputies. On the contrary, we are constantly calling upon you to do more.

[Answer] I don't know. Maybe some kind of internal need is lacking, maybe competence--let us remember that in 1985 almost 80 percent of the deputies were new--and maybe a kind of custom, or tradition.

For example, during meetings, often as many as a few dozen deputies abstain from voting, or they vote against, but without disclosing their position. Either they do not register to vote or speak without indicating the position that they will shortly express in the voting. That's a little strange.

[Question] Because they exhausted their arguments and emotions during the deliberations of the commission....

[Answer] Indeed, stormy discussions are taking place now in the Sejm commissions, there are real quarrels, and in relation to such matters so basic as the directions of scientific progress, for example. But when the plenary sessions begin, the disputes die down. The opposite of what happens in other parts of the globe where, during sessions, the real battles take place, and the commission has the job of preparing the end result, so that communication in the second reading is easier.

[Question] With all of the criticism, the ninth term Sejm has already recorded some successes--working in its own way. It has come out resolutely in defense of the legal rights of the self-management movement, criticized the draft law which is intended to change the recently accepted legal regulations in the sphere of the economy....

[Answer] More than that. What about the matter of retirements? At the last minute the government had to change and limit its ideas, which were not accepted. It was the same with the ministerial draft of a price increase in pharmaceutical means, which fell under the very strict scrutiny of the deputies.

[Question] We are probably in agreement that the Sejm changes, becomes more sure of itself and becomes more demanding of the executive authority. But the most important political initiatives were finalized outside the Sejm. I am referring to the 11 September 1986 decision which was based on a law on special proceedings against persons committing certain crimes, and also to the appointment of a consultative council.

[Answer] You are right. Freeing political prisoners was a kind of "gift of the government" which the Sejm was happy to accept. Incidentally, I came out earlier in favor of a statute governing these prisoners, but I was strongly opposed by several deputies. And yet these prisoners later received much more, because after all, what is a statute, even the best, compared to freedom?

But generally speaking, it seems to me that sometimes the Sejm lacks the ability to foresee events, or give them a tempo. And who other than the deputies, on the strength of their mandate, should inspire government actions. Certain government initiatives could stem from decisions made by the deputies.

I would like it if the deputies would go more boldly beyond the limits of past political initiatives, that they become the "stimulant" of progress. We must make demands--demand much more than would sometimes appear to be proper. In remaining silent, in not seeing certain problems, we expose ourselves to ridicule when the time comes to make decisions.

[Question] I would like to ask you whether the voters approve of your work in the Sejm. What did you promise them? What do you say to them now?

[Answer] I did not promise them anything other than that I would try to speak openly about the most important matters of the state and the nation. It seems to me that I am keeping my word. The Sejm majority decides the laws, good or bad.

But now I see that the problems regarding the functioning of our political system, its further democratization, seem to have been relegated to the background. The matters which dominate in the contacts I maintain with the voters--mainly in Lublin and environs and more rarely in other regions because I do not have enough time for travel, concern the standard of living. Primarily, housing and supplies of such basic articles as coal, tools, and spare parts for farm machinery.

This apparent lessening of interest in political affairs is a signal to me not such much of acceptance as of reconciliation with that is happening in the country, i.e., an apathy and passivity. This is disturbing.

[Question] If you were to evaluate all of these initiatives, meetings and visits to which we were witness in recent months, what would you say?

[Answer] I would say this: That which is now taking place is not everything that society expects. Particularly since a "new wind" has blown from the East and it is generally felt that this is a "warm wind," evoking justifiable interest, comments and hopes. Gen Wojciech Jaruzelski's January speech in Warsaw was a good and important signal in this regard. The first secretary of the PZPR CC said in that speech: "...we support everything done by Mikhail Gorbachov, whose energy, boldness and farsightedness deserves our sincere Polish good wishes."

But some say that despite these favorable trends we are still marking time--and above all, our economy is marking time. I think that a large part of our society shares this opinion.

Indeed, the tempo of political events is different--it outpaces economic reform. The 11 September decision to free the prisoners was really surprising, in the positive sense. Also the appointment and first meeting of the Consultative Council was noted with great respect.

I believe--and I said this in the Sejm--that the formation of the Consultative Council is, at the very least, interesting and promising.

[Question] Specifically why?

[Answer] Because this is a council attached to the chairman of the Council of State, who is also the leader of the largest Polish party, the governing party. The function of the Consultative Council, as I understand it, should be to submit certain ideas and plans to the chairman and the Council of State, in a less official but more effective way than done in other bodies.

Whether this is successful depends on the council itself, on whether its members know how to present, in the most open way possible, the opinions and proposals which also reflect the opinions of society.

There is, in these actions, something which attests to the farsightedness of our internal and external politics, to the sensing of the "signs of the times." My only fear is that we not stop with this, that we not end with these first initiatives.

[Question] What do you suggest?

[Answer] I would call attention to the interesting episode at the Moscow peace forum, when Prof Andriey Sakharov applauded the general secretary of the CPSU CC, Mikhail Gorbachov. Being fully aware of the differences in the situations in both countries, I think that it would still be hard to think of something similar happening here.

But if it were to become possible to participate in joint initiatives for the good of Poland as well as the people, who after 13 December 1981 found themselves on opposite sides of the political fence, I think that this would be inestimable.

[Question] Whom do you have in mind? Those, also, who approved of the sanctions against Poland?

[Answer] Those, too, because they were able to change their opinion and acknowledge that these sanctions were very damaging to the country and the nation.

We do not deny people the right to change their opinions.

[Question] And if they change them again tomorrow? After all, you cannot vouch for anyone....

[Answer] That is possible, but does it necessarily have to come to that? I don't think so. Meetings, joint deliberations and actions, sooner or later, must create at least a grain of confidence, and that is certainly something.

Why, then, should we be pessimistic, when we are just beginning to take the first steps? Winston Churchill once said, "I am an optimist. Why? Because I know that there is something worse--pessimism."

[Question] The object is that all interested parties at these meetings and joint actions have a real desire--isn't that so?

[Answer] Yes, except that in this case it is hard to talk about two equal parties. More is demanded of the ruling party, because it is not only a party but also the arbitrator. It is from it that the first step, or even few steps, are expected if the intentions are to be convincing.

[Question] First there must be trust?

[Answer] First there must be action. If action is taken, trust will appear very quickly and will grow. It is not without reason that we see willingness in words, but power only in deeds.

We had more than enough words in 40 years. It is no wonder that society looks with distrust on beautiful words, even if they are spoken by the highest authorities--secular or spiritual. Too often we have looked at what remained after naive, unrealistic promises. In speaking of action, of course I am referring to the multiplication of facts, constructive endeavors--it is they which build confidence.

How much the socio-Catholic movement could contribute to the building of this confidence, mutual understanding and national accord! Yet those Catholic groups, which in compliance with the Church's social sciences, involve themselves in problems of public life, have little possibility of expansion. I am referring here to the Club of Catholic Intellectuals (KIK), for example.

[Question] The activeness of the KIK is one of the many factors shaping state-church relations. As Public Opinion Research Center [CBOS] and other studies show, the status of these relations is not really one of the matters which disturb society. Interestingly, during the elections campaign for the Sejm in the fall of 1985, only 7.7 percent of the elected deputies received opinions on this subject often; 29.1 percent, rarely; 39.6 percent, very rarely; and 21.4 percent did not come in contact with these problems at all.

[Answer] I received opinions, but it is true that they were not among the subjects raised most often at the pre-elections meetings.

[Question] "The Church is regarded by most Poles as an institution which performs an important role in the life of society," the director of CBOS, Col Stanislaw Kwiatkowski, wrote recently in summing up a series of polls on the relationship between religion and politics, "and it has an intellectual potential and capacity which can be utilized for the good of the nation, without the need for opposition to its actions by the socialist state. The Church is allowed to be publicly active, and its involvement in solving problems of importance to the country is expected."

How do you comment on that?

[Answer] In these kinds of polls there is always the problem of how representative they are and when they were conducted. But I assume that in the case of this CBOS survey, its results can be taken as a starting point, as a kind of forecast.

Generally speaking, I think that our society is a religious society by nature and by tradition. Many public circles need the political support of the Church only when there is a gap between the desires of the large masses and the behavior of the government. The narrower this gap, the smaller the need to run under the wings of the Church, which, in any case, understands this need as a mission for itself, a certain kind of social function which must be performed during times of difficulty for the nation.

The better the relations between society and the government, the livelier the dialogue, the more fully the government, which is, after all, society's executor, fulfills society's aspirations in the field of politics as well as culture and education--the less need there is for substitutes in the form of the protection of the Church. The Church, of course, cannot be limited only to a liturgical mass; its range of activity is very wide. There is only the question of the proportions of this influence.

The rule of helpfulness, which the Church tries to observe, clearly indicates that it should not do the work that the smaller, autonomous social groups are capable of doing themselves. They should be helped only when they really are not able to manage the work themselves.

9295
CSO: 2600/679

UNIVERSITY RECTOR 'ELECTION CAMPAIGNS' TO BEGIN

Warsaw RZECZPOSPOLITA in Polish 16 Mar 87 p 6

[Article by Adam Stefaniak and Boleslaw Grabski: "Rector Elections"]

[Text] The elected one-man offices at the institutions of higher education, and the representatives to collegiate bodies of these schools, will end their function on 31 August 1987. Because of this the various academic communities will shortly begin the election campaign.

We can expect that at the end of March 1987 the collegiate bodies at the schools will create electoral commissions which in turn will set a schedule of electoral activities. The principles and conduct of the elections will be governed by the law of 4 May 1982, which refers to institutions of higher education (DZIENNIK USTAW [Legal Gazette] No 42 1985)--hereinafter referred to as the law--as well as by the statutes of the various schools (the school statutes are decided by the senate, Article 57, Act 1, point 1 of the law). It is expected that the greatest interest will be focused on the election of the rector.

The regulations about the election of an individual for this position can create many unknowns in practice. This is why further considerations of this topic will refer to the question of choosing a rector with specific reference to the length of the term of office for this position.

Previously, under the law on institutions of higher education dating back to 5 November 1958, the rector--as the representative of the school in the world in general, the superior of all the university workers, and the head of the student youth--was appointed by the minister for science, higher education and technology from among the professors and docents to serve for a designated time. The old law did not specify the length of time, it being specified by the minister in the document of appointment.

In justified circumstances (the law was not precise on this) the minister could dismiss the rector before the end of his term. Since the old law did not specify the length of the rector's term (this was left up to the minister's judgement) and did not consider the question of his election, then

under its rule the term of the office under discussion was not considered. This conclusion has real significance in our further considerations, and we will return to it.

On 1 September 1982 the present law concerning higher education was enacted. Basic changes were introduced to it by the law of 25 June 1985 concerning changes in higher education (DZIENNIK USTAW No 36), still called an amendment, in force since 12 August 1985. From 1 September 1982 to 12 August 1985 the rector of a school was chosen according to the statute; sometimes by the senate, sometimes by the electoral college. The amendment upheld the principle of electing the rector (the exception was listed in Article 41, Act 6 in the regulation); however presently the election can be conducted only by the senate (Article 41 of the regulation).

The three-year term introduced on 1 September 1982 is still in force. It runs from 1 September to 31 August [1987] (Article 36 in the regulation). This means that the time during which the functions of the rector's office may be exercised is precisely described in the law and the length of three years may not be exceeded. The law not only described in a unified way the length of the term for the offices of an institution of higher education, but also limited the rector to serving two consecutive terms (article 49). Because the term of office is a full three years, then holding the office for a shorter time does not constitute a term, as understood by the law. There is then, no formal barrier for electing as rector a person who already has served in this capacity, for example for one year and then for a full three years. In this instance it will be held that this person has served one term as rector. A grammatical interpretation of Article 49 in the law indicates that serving two non-consecutive terms as rector is not a barrier to being elected for another term in this office.

In actual practice, the most doubt is raised by the following question: can the persons who had served as rectors during the previous six years be elected again? There are many and serious reasons for giving an affirmative answer here. The old law, as it was already construed, had no concept of the term as a tightly described period during which the functions of office are performed by an office resulting from an election. The transitory regulations, contained in the fifth part of the new law, do not define term holding in the past, during the time the previous law was in force, which is correct according to the principle of "lex retro non agit" [the law does not act in reverse]. Therefore the concept of a term can be discussed only after 1 September 1982. But since that time two terms have not yet elapsed. There is then but one conclusion, that in the current election year the regulation in Article 49 of the law will not apply to persons who have held the office of rector during the last six years. This conclusion agrees with the legal view of the Constitutional Tribunal expressed on 28 May 1986 (U 1/86). This is as follows: "When deciding on the results of lawful acts which took place under the rule of old statutes but occurred in a time when the new forms were already in force, then we must act in accordance to the principle of 'lex retro non agit.' The results must be interpreted on the basis of the new norms, but only from the time they came into effect."

12411
CSO: 2600/522

ADDENDUM TO REMARKS ON UNIVERSITY RECTOR ELECTIONS

Warsaw RZECZPOSPOLITA in Polish 18 Mar 87 p 5

[Article by Anna Karpinska: "More About Rector Elections"]

[Text] On 16 March RZECZPOSPOLITA carried an article by Boleslaw Grabski and Adam Stefaniak about rector elections. The authors expressed the view that the validity of a term of office for this position may only be discussed after 1 September 1982, the time that the current law regarding higher education came into force. Let us remember that in accordance with Articles 36 and 49 of this law the term of office is 3 years, and that no one can be elected rector more than two consecutive times. The authors reason that from 1982 to the present two terms have not elapsed. Therefore, there is no barrier to electing, as rector, those persons who have filled the office during the last six years.

In analyzing this problem the authors have bypassed Article 220, Act 2 in the transitory regulations of the law. This regulation sanctioned the terms of office for one-man offices (among them the rector's office) which began under the rule of the previous law, but were in accordance to the principles of the law project worked out by the Social Codification Commission.

To be sure Act 2 of this Article did not mention the term of office "expressis verbis" [in specific words] but this cannot be explained without reference to point 1, in which it is addressed directly. Therefore, the first term of office must be counted as that which was underway when the law came into force on 1 September 1982.

The principle for limiting the rector's term of office to two terms was the reflection of the will of academic communities in all of Poland. There are no logical nor socio-political reasons for lengthening the time in office to three terms. This would be a granting of privilege to persons who performed the office of rector directly before the law came into force.

12411
CSO: 2600/522

OMBUDSMAN ISSUE APPROACHES DRAFT BILL STAGE

Warsaw RZECZPOSPOLITA in Polish 24 Apr 87 p 1

[Article by Krystyna Kostrzewa: "In Accord with the Results of the Consultation: An Ombudsman"]

[Text] The period of general consultation has long passed, but letters on the ombudsman continue to arrive at our editorial offices. This shows the great interest in this new institution. This interest appeared immediately after the publication of the proposal of the Council of State and the Patriotic Movement for National Rebirth [PRON] which was submitted for consultation, and this interest continues. Only the contents of the numerous letters have changed. If, during the consultation period and just after it ended, opinions on the proposal and suggestions about how and where the ombudsman should function and what rights he should have predominated, then now the question repeats: what happened to the ombudsman? Will there be one or not? Zenon T. of Gdansk writes objecting: "You checked off the ombudsman in your paper and now you are silent. Was that a forbidden topic?"

No, it is not a forbidden topic. One can say with certainty that there will be an ombudsman.

After the consultation in which tens of thousands expressed their opinion not only in letters to the editor but especially to PRON and the Council of State, work on the ombudsman has shifted to another sphere. Simply during the consultation, which produced an unbelievably varied range of evaluations of the proposal and a rich assortment of conclusions, the appropriate groups of experts and activists summarized and analyzed all the statements and prepared the proposed law anew, including the results of public opinion.

This legal act reflects the thoughts of more than one of our readers. For the letters our editorial offices received were published directly or used in commentaries; those not used directly in our pages were transmitted to those compiling and analyzing the results of the consultations. We can assure you that not one of our readers' letters went unread.

The current proposed law is the result of the general consultation of the initial organizational and legal structure of the institution. Before outlining the differences from the proposal submitted for consultation, we

should note that the new document is in the hands of the deputies. They are consulting each other on the proposed law to create an ombudsman, which must be completed by 25 April. After any corrections, the proposal will be presented to the Sejm Marshall, probably about the beginning of May.

We should recall that PRON called for the creation of an ombudsman at its first congress. Near the end of last year, this issue, already in document form, was submitted for civic judgment. Two months of consultation, in spite of widely varied reactions, produced an unexpected, nearly unanimous criticism of the intention to assign the ombudsman to the voivodship peoples councils. The vast majority of citizens expressing an opinion, as well as various civic organizations, desired a national ombudsman associated with the Sejm. PRON's National Executive Council supported this position in its postconsultation document.

The new 10-page proposed law retains the goal of the ombudsman in its preamble. It says, as did the proposals submitted for consultation, that "the fundamental goal of the creation of an ombudsman is the formation of additional, more effective forms of protecting citizens' rights within the operations of the administration and other state and civic institutions." The consultations substantiated this goal: opinion overwhelmingly called for the creation of the institution of an ombudsman, seeing in it a broadening of the guarantee of legality and social justice in Poland. The conception of creating a number of ombudsmen assigned to the voivodship peoples councils drew the most criticism, and after the consultation, this conception collapsed. The current proposal calls for the creation and location of a national ombudsman under the Sejm.

For now it is difficult to predict whether the deputies will support this position, but much indicates that they will. This is all the more probable since the authors of the document which was sent to the deputies do not consider this version necessarily permanent. In the preamble it says "the aim of the proposed law is open. Stimulating a progressive institution, it leaves its further development open to possibilities indicated by practice." Additional future measures are not excluded.

The finale for the ombudsman, a new office in our state which is difficult because of its social and political significance, seems to be rapidly approaching. And moreover its form appears to be the one our varied public opinion clearly desired.

13021
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AUTHOR COMMENTS ON YOUTH POLITICS SURVEY

Opole TRYBUNA OPOLSKA in Polish 4 May 87 p 1

[Interview with Elzbieta Gorajewska, coauthor of the Public Opinion Research Center report "Youth on Politics," by Halina Retkowska: "Passive Rebels"]

[Text] [Question] Politics "leaves them cold." They are not interested in it even cognitively. This is the common opinion of school-aged youth.

[Answer] Things are not so bad. In the research which I conducted among school-aged youth in the last classes of the general high schools, vocational high schools, technical schools, vocational schools in 1985, the youth declared fairly great political interests.

[Question] But there are not any "Homo politicuses" among them.

[Answer] They simply do not want to express their political views, because they do not trust adults. In 1986 every tenth pupil regarded both official and unofficial sources of information as reliable.

[Question] Schools have an unlimited field for display.

[Answer] Just that they do not want to display themselves. People leave their halls who are used to reciting what is written and how it was written in their textbooks. The results of such an education are clearly visible in our studies.

[Question] Many adults claim that they think very little. They revolt just to revolt. They criticize just to criticize. It is well-known, these adults say, that where the mind sleeps, flies walk on the brain.

[Answer] Nonsense! If this were true, they would not know how to support their critical opinions of reality in a rational manner.

[Question] Can they do it?

[Answer] I will give you an example. In last year's research, a portion of the young people took advantage of the opportunity to formulate independently responses to the question about the accomplishments of the socialist order in Poland. If the thesis that young people are thoughtless were true, they would not have done this.

[Question] What do they think of these accomplishments?

[Answer] A typical example of the responses to this question was the following: "If everythingwere done as the socialist order demands, then perhaps there would be only benefits. But in Poland one says one thing and does another. Moreover, there is too much talk and too little work." Some also said that our society "has not matured to socialism"; that we ourselves are to blame for reality being the way it is.

[Question] If these are typical answers, then this means that young people, despite some convictions here and there, value socialism.

[Answer] Even more: their vision of the ideal order is congruent with the basic premises of socialism. They are fairly critical of the practice, the implementation of the principles of the order in Poland. In comparison with the data for 1985, there was an increase in the percentage of students who are convinced that the principle of egalitarianism--understood as equal opportunity for all--is not observed.

[Question] Which of the institutions in Poland today received their approval?

[Answer] The Sejm and the Church have unquestioned authority. Only a few pupils have a negative opinion of these institutions. Just behind them are the army and the government.

[Question] And what is their opinion of the opposition?

[Answer] One surely cannot say that the opposition is an authority for the pupils we studied. The actions of the political group covered by this name are controversial. Young people are more approving of the underground actions of Solidarity. Which does not mean that one can simply divide them into friends and enemies of the underground. For many of them it is a complex question: they note both positive and negative sides of its actions.

[Question] The authors of the report prepared by the Institute for the Study of Youth's Problems believe that "school-aged youth is in large part intellectually and emotionally prepared for socio-political action." It looks as if they have overstated the case.

[Answer] I do not think so. To be sure, young people's activeness on behalf of others is not great, and the model person is identified with someone who is interested only in his own happiness and his own family, but there is also an awareness that things should not be this way, that people should take part in civic issues. The young people we studied frequently spoke this way.

[Question] Because it sounds good. Perhaps that is the reason they spoke this way.

[Answer] Perhaps. This is a generation that, given motivation, could become involved. In closing themselves off in the little world of their own affairs, they are not at all so very happy.

13021
CSO:2600/638

BRIEFS

PZPR CONTROL COMMISSION WARNING--Gorzow Wielkopolsi. Several industrial establishments in the province fell into serious financial straits. In most cases, this was not due to causes of an objective nature, as they say. Audits by banks, among others, indicated improvidence, a lack of management ingenuity, waste, and slackening of financial policy. With the participation of representatives from banks and the treasury department, the adjudicative bodies of the PZPR Voivodship Control-Auditorial Commission held warning talks with the director of the Lubuski Flax-Retting Plants and the presidents of Meblostyl and the State Construction Enterprise. The secretaries of party organizations in these establishments were present at the talks. It was decided that auditing talks would be held with the managements of these same establishments after a half year. [Text] [Warsaw TRYBUNA LUDU in Polish 14-15 Mar 87 p 2] 13324/13046

PZPR POLITICAL SCIENTISTS MEETING--On 3 March a meeting of the party assembly of political scientists took place at the PZPR Central Committee Board of Science, Education, and Scientific-Technical Progress inaugurating the next term of activity. Tasks and courses of action for the assembly were discussed, as well as several problems of the condition of political sciences in Poland. The meeting was conducted by Prof Bronislaw Pasierb. [Text] [Warsaw TRYBUNA LUDU in Polish 4 Mar 87 p 2] 13324/13046

SIWICKI AT AIR FORCE POP MEETING--Propositions at the PZPR Central Committee 4th Plenum were discussed during a meeting of the POP [Primary Party Organization] of a squadron of the oldest unit in the national Polish Air Force--the I Regiment of the Mysliwski OPK [National Air Defense] Air Force, "Warszawa." A member of the PZPR Central Commitee Politburo and minister of national defense, General of the Army Florian Siwicki, participated in it, being a member of that very organization. Problems common to the entire party were discussed, but matters characteristic to this community were focused upon above all. In particular, attempts to implement educational-upbringing tasks, formation of battle-readiness, and the habits of rational and thrifty management in the course of everyday military life were shared. [Text] [Warsaw ZYCIE WARSZAWY in Polish 4 Mar 87 p 2] 13324/13046

CSO: 2600/513

MILKA PLANINC DISCUSSES CRISIS IN COUNTRY

Zagreb DANAS in Serbo-Croatian 3 Mar 87 p 7-10

[Interview with former FEC President Milka Planinc by Mirko Galic: "Reasons for Anxiety: A Look at the Crisis and Possible Ways Out of It by a Leader for Many Years"; date and place of interview not specified]

[Text] [Question] Comrade Planinc, there is no particular need to introduce you. You have been in the foreground for several years, first at the head of the Central Committee of the Croatian LC, and then at the head of the Federal Executive Council [FEC], always in trying times. From this short distance, what can you single out from that period? What happened, and what was happening?

[Answer] One could answer in two ways. Viewed historically, society has had ups and downs and crises, but it has never, either in foreign or domestic policy, abandoned its basic commitment, which we simply call Tito's path. During all that time, in spite of all the difficulties, we sought solutions so that in the given conditions for development and the experience of practical living, we could intensify and further continue that line.

There is no dispute that during this tumultuous period there were serious mistakes in transferring this theoretical and general commitment into practice, including mistakes that made it possible for us to get into a crisis. But provided that we achieve a way out of the crisis and further progress through means and methods that continue to consolidate and develop the fundamental commitments of our socialist self-management system, then history will assess even this period positively.

Nevertheless, if we restrict our view to a narrower period, to the situation in which we have been for the last few years and are in now, then there are reasons both for many questions and for anxiety. This is not just because of the material consequences of the crisis. It seems to me that it is more because there is still hesitation over certain commitments that are essential for emerging from the crisis and for further progress, and that because we have not yet reached the turning point that will make it possible, through unification of the basic forces of society, to make the necessary changes on a broad front, in practice and in life.

[Question] People say that they are terrified because we are not implementing the program for emerging from the crisis, and not because of the crisis itself. Do you also feel this kind of fear?

[Answer] Absolutely! I feel that fear now, and I felt it while I was in office. I know that most of our people think and feel the same way. Our material difficulties are enormous, and we have great shortages in relations with the rest of the world and within Yugoslavia. What causes fear in me and in most people, however, is not that, but rather the fact that we have been discussing this for a long time and have not found the strength and unity to develop practical solutions that would ensure the further progress of our community along the line of the further development of self-management and the fundamental commitments of the Constitution. Instead of finding practical solutions along that line, we are hesitating in compromises. Different understandings and interpretations of commitments that have formally received unanimous acceptance lead to a situation in which when specific solutions are determined or when they are put into practice there are different, mutually uncoordinated, or even completely contradictory solutions and behavior. This indicates that there is still no real, fundamental unity on some vital points that would ensure action in a single direction in our democratic and decentralized decision-making system.

These differences are obvious in the implementation of our Long-Term Economic Stabilization Program. I experienced them directly in the FEC, from those initial working proposals of the administrative bodies, in the FEC itself, and later in the Assembly, and then elsewhere as well, both in carrying them out and assessing the results and the situation, and also the demands that the FEC undertake everything.

In view of my experience, four "hot" years in the FEC, I can say that building unity along the way from general verbal commitments to acceptance of their consequences in concrete changes in the system, in practical life and behavior, is the most difficult part of the work, and that we underestimated it from the beginning. Nevertheless, although the current situation is unfavorable because that turning point has not yet occurred, it is my belief, and I think the belief of every objective person following the changes in Yugoslavia, that they confirm that progress is being made, even if it is slow. In a situation that has objectively encouraged those who sought the abandonment of the fundamental commitments of our system in order to emerge from the crisis, we have achieved--to such an extent, I think, that in spite of the current vacillations we can no longer go back--some significant prerequisites for emerging from the crisis through the further development of self-management. What we adopted in principle or only verbally four years ago in the Long-Term Economic Stabilization Program is now becoming more and more, both in the LC and on a broader social scale, a real commitment and a recognition that these are the prerequisites for our further progress. In this regard, I am thinking primarily of the establishment of an economic system based on economic criteria and motivations, the attitude toward the market, a stronger orientation toward world markets, the necessity of structural changes, etc. Yes, we have not surmounted everything yet, but we are nevertheless moving toward the "turning point."

[Question] Society has at the same time an expectation and a demand for everything to be resolved through regulations, and a fear of universal normativism, which has so far made life complicated, especially for the economy.

[Answer] Yes, one cannot do without some fundamental laws and regulations. Both the changes in the economic system and the announced changes in the political system must be continued. I personally think that it would be a great thing if we were to find the strength to establish firmly in those fundamental documents, including the Constitution and the ZUR [Law on Associated Labor], the social position, basic rights, and all obligations of all factors in our system, and refrain from the detailed regulation of life itself. We count too much on things happening as we think they will, as we have written in our regulations. Laws by themselves, however, do not change the material situation, and by themselves they do not change consciousness, so life goes on in its own course, depending on many other objective and subjective circumstances. At the time when the current Constitution and the Law on Associated Labor were adopted, I participated in the work. Comrade Kardelj, Bakaric, and other figures had no idea at all of conceiving of the future basic organization of associated labor as an enterprise. But what has happened to us in real life is that as a rule the basic organization has been turned into a copy of the old enterprise. We broke up the old enterprises, and created a multitude of new ones. Instead of the OOUR [basic organization of associated labor] being a flexible organization of workers, subject to the market and to economic laws, and forced to adapt to them, to fight for progress, it has become a quasi-state enterprise, secure and protected, regardless of how it operates and how it performs.

[Question] If I understand you correctly, you feel that an OOUR cannot operate successfully under state protection, because it is not sufficiently rewarded if it does well, and it is not penalized if it does poorly.

[Answer] Yes, naturally, although by that "state" I also have the opstina in mind. The key question for me is whether we will be able to open channels in the socialized sector for people's initiatives, and to make people interested and responsible, both individually and collectively, for economic performance and for development. Now, as a rule, if a group of people is capable of a new production program that can be realized in the market, it has to escape from its OOUR, because everything is static in it, as if set in concrete. Changes in an OOUR on the basis of a workers' initiative for a new production program are more of an exception than a rule for us.

What do I mean by this? That because we have not clearly put the economy in connection with and under pressure from the market, because we have not given it the opportunity to operate freely, we have turned the economy into static, semi-state enterprises, where the worker is sure that he will not lose his job and the OOUR is sure that it will not fail. We have neglected personal initiative, personal interest, and motivation, which would then not permit either the group or the collective to relax and to stagnate. I think that this is where the greatest internal potential lies for emerging from the crisis: society should open up as much room as possible for personal initiative and personal responsibility. We cannot go forward very far if

personal initiative remains as blocked as it is now. We have now initiated discussions about jobs not being secure for everyone, about lazy people not being left in peace. And that is good. But we also have to shake up the work organization, both the OOUR and the SOUR [complex organization of associated labor], so that it will not be an obstacle to those who bring new initiatives and take on new responsibilities, who are willing to take a risk. Incompetent management structures are not giving any room to those who are already looking toward the 21st century. But these are socially owned means of production. The scope of the results of work with socially owned means must not be limited by the scope of its director or a small management team: the scope of a work organization must be the potential of all those who work there. If three engineers and five workers vouch for new production, they should be given the opportunity and encouraged to do it. A modern, flexible organization is needed for this, but the organization of our enterprises is static, and does not provide any chance for those who are above average, who see further and can go ahead faster. In my view, that is the main engine driving our business and economy. But it has broken down.

[Question] The same thing could certainly be said of the republics--they were conceived in one way, but have turned into closed economic and political entities, which hinders or prevents necessary integration at the national level.

[Answer] At the time when state funds existed at the federal level, the republics looked upward and fought over which would wheedle the most for its development from the federation. The public knew less about this, but the struggle over the distribution of those central funds created an apple of discord out of them, in the political sense, and cleared the way for the appearance of nationalism. The funds of state capital at the federal level have been abolished. We should have gone further, to have the resources administered and controlled by associated labor, but it stopped there. And what happened was that instead of one etatism, we got another eight copies of it, and we stopped there. Naturally, this creates serious problems, even in the LC, and nationalisms are now being manifested in the financial power of republic etatism.

Although strong economic power is still concentrated in the federation and the FEC, I would say that the FEC and the other federal bodies have too little authority and too little power with regards to the real issues. Here I am thinking, above all, of those levers of economic policy that should be in the hands of the federation, so that it could conduct a uniform policy on the vital issues throughout the entire territory of Yugoslavia, and ensure the functioning of the system as a whole. The federation, and especially the FEC, does not now have that authority. But the federation should be given the power and the strength to prevent what is happening now--money being issued without anything to cover it at all levels, without anything happening to anyone, and banks being insolvent without anything happening to anyone. Precisely for the sake of greater autonomy and security for the work organizations, the federation must have the obligation and authority to manage and ensure the efficient functioning of the entire financial system. It is necessary to reduce the functions that represent a remnant of the previous system and that provide the possibility of interfering with the position of

individual work organizations and groups, and make it possible to have the will of this or that FEC determine whether economic criteria and the function of the market, as a fundamental condition of the environment in which self-management operates, are observed in the conduct of economic policy. Every work organization and every economic entity should be given more freedom and initiative, and this would also change the role of the republics, because the republic cannot be a level that will take over economic etatism from the federation.

[Question] You have certainly spent night after night attempting to coordinate different interests. In your opinion, is the very principle of coordination in dispute, as some people say, or is it possibly concrete practice that is in dispute (obstruction, etc.)?

[Answer] We know what the original powers of the federation are according to the Constitution, and we know which issues are coordinated, also according to the Constitution. For those issues, which are vital for the equal position of the federal units, I cannot think of any method other than coordination. It is another matter that we have pushed it to an extreme, and that agreement has been sought even on operational decisions, for instance, on the tax rate--a thousandth here or there--and on almost all current economic policy measures. It is too much to have all the republics and provinces express a position on this. The previous FEC, and I believe that the current one will continue this, changed certain systemic laws, and purged them of unnecessary coordination, in accordance with the Constitution or not. There were minor rebellions and mutinies, but we calmed them down because we arranged things in a principled manner and in the right place--agreement on the fundamental commitments, but with the FEC having the authority and responsibility for current economic policy. This could not have been decided differently.

[Question] The general opinion is that during your term as president of the FEC, you restored a greater role for the FEC in the conduct of Yugoslav affairs.

[Answer] I had the opposite feeling. One cannot expect everyone to know what the FEC's constitutional and legal position is in our country. It seemed to me that the FEC was thought of as though it were put in the role of governments of Western parliamentary systems. They have a different position, however; they come before parliament with a program, obtain the authority to carry it out, and answer for it. That is not the position of our FEC. The program is established by the SFRY Assembly, and the FEC is its executive body. The executive councils of the republics and provinces are not answerable to the FEC for their work, but rather to the assemblies of the republics and provinces. I had the feeling that people expected too much from the FEC, and that they did not know that its jurisdiction was narrower and its authority less than they thought. Naturally, in our system the role of the other federal bodies is also significant, especially that of the sociopolitical organizations. I constantly stress this "up there," and I fought to have the work of all the bodies and organizations coordinated at the level of the federation. It is not a good situation when there is no working coordination, especially in this complex situation in the implementation of the stabilization program, which requires synchronized activity from everyone.

[Question] During your term in the FEC, did the Yugoslav crisis begin to clear up?

[Answer] I would not ascribe any particular merit to myself. The clearing up of the crisis, although not completely, began during the work on the Long-Term Program. If someone else had been in my place, he certainly would have done what I did, because it had to happen. Perhaps my distinction was that I spoke directly and openly to the public, and did not speculate about whether something should be concealed or said openly. Even the worst truth must be stated, because it is only through the truth that people can be mobilized.

The only thing is--let us not fool ourselves--I said publicly what I knew at that time, not just because the FEC was up to its neck in determing the situation and seeking a solution for our foreign debts, but also because of the completely inadequate system for monitoring financial flows in Yugoslavia. We uncovered the real state of our dinar obligations sometime toward the end of our term. I also spoke publicly about that. I must say that that total disorder, lack of discipline, and unprofessional management of the country's finances surprised me more than our foreign debt, because we at least knew about the latter.

It was only this that disclosed the full seriousness of the crisis, all the dinar deficits and doubts. I think that we thus also discovered the main direct causes of our inflation. The cause of inflation is not just printing money without backing at the money institute in Topcider. Inflation is also created by economic entities when they do not pay their obligations to each other and do not bear the consequences, and it is also created by the banks when they disrupt the relationships between their payment requests and their payments, without anyone bearing the consequences. The experts have arrived at the total of 12 to 14 billion dollars for our internal dinar debt, which is by no means an easier problem than the foreign exchange debt. The new FEC received those accounts from us, with our assessments and views, and with the difficult obligation of untangling that complicated knot.

[Question] When you learned the real situation, did you feel any fear of the seriousness of the obligations?

[Answer] I would not say fear, but rather a terrible responsibility. Since we were up against the wall, and had already run into it, I believed that a counterreaction would occur, that there would be cohesion and unity, and that an awareness would prevail that we had to do away with voluntarism, turn more decisively toward the market, and more effectively eliminate the deeper causes of inflation. These processes, however, are proceeding slowly, more slowly than I expected.

[Question] You said that the services responsible for this did not keep the government completely informed of the state of affairs. Does this mean that the Anti-Inflation Program and the Long-Term Program were developed on the basis of false assumptions?

[Answer] The problem is not false reports from those institutions; it is the basis on which they were prepared. It is not a question of whether the SDK [Social Accounting Service] deceived us; the system for monitoring the financial situation was set up in an unprofessional way, and so the work organizations and banks, and the sociopolitical communities, were able to stretch out and adjust the dinar. That is why we have come to where we are. If you are asking me about the Long-Term Program, it was not preceded by any calculation about how society stood financially. We made the calculations later and under different conditions: a real dinar exchange rate, and real interest, through which, naturally, the calculation of the deficit would be much more serious, but also more realistic. The Anti-Inflation Program indicated that it was necessary to clear things up, but unfortunately it was not prepared on the basis of exact calculation's about the state of the country's economy. It would have been easier to do then.

[Question] During your term, in the first half of it, inflation was declining, but later flared up. Branko Horvat, in an interview, concluded that the government was on the right track, but that the state presidency and the party presidium forced it to give up that track.

[Answer] I have already told you how slow and difficult it was, on the fundamental issues of the commitments of the Long-Term Program, to go from support in principle to the creation and practical acceptance of all the consequences of those commitments. Not even the FEC was an exception in this respect, and it is part of society. It matured and became convinced before others because it had to, it was constantly between the hammer and the anvil, it recognized earlier the consequences of good and bad measures, and it was constantly under the pressure of responsibility, regardless of whether it was possible to resolve anything or not. I must say that the FEC stabilization commission and our willingness to hear its arguments helped us considerably in recognizing the actual situation and the right way out. All of them also worked on formulating the Long-Term Stabilization Program. But many cases of support for the stabilization program carried with them expectations that this would be a magic wand in the hands of the FEC, which would painlessly take us to a new and better situation. But look at our political decisions and resolutions from that time. Viewed as a whole and comprehensively, they carried the following message: we have to surmount our external and internal debts, deficits, and uncertainties; we have to stabilize the market, curb inflation, and keep pace with technological progress in the world, all without having our standard of living suffer, either social or individual, especially among the broadest strata of society. But that formula was unrealistic; all of this cannot take place within the material framework of this crisis situation.

In addition to recognizing that we cannot emerge from the crisis without great sacrifices, we must specify more precisely what we must achieve in the given time, but we must also accept responsibility for the inevitable negative consequences that will result from doing so. We should be unanimous on this, and speak openly and publicly about it, so that the entire public will know what awaits us, accept the sacrifices, and know why it is doing so. The main "pressures" have come from that state of relations and views of the implementation of the stabilization program.

Branko Horvat is not the only one who reduces everything to speculations about conflicts, about pressures upon the FEC from one presidency or another. But that is not the case, even though there have been different opinions. The pressures were and still are much more widespread.

First of all, let me say something about the positive assessment of the results of the first half of the term. Probably you also remember that during that period the FEC twice drastically froze prices. It did not freeze personal incomes, because real support for stabilization was actually given by the work collectives, which curbed their personal incomes throughout the entire country, and brought about a real decline in them, to a greater extent than any government would have ventured to propose. But as you remember, there was great political concern then about a real decline in the standard of living, even though all the calculations showed that this had to be done. The price freezes always had very broad support, but when because of them--as inevitable negative consequences--shortages in the market increased, pressures to resolve this quickly followed. The liberalization of prices enriched the market--but was then followed by pressures to curb inflation, which was an inevitable negative consequence of our overall situation, quickly and by all available means.

I am deeply convinced that those other economists who said that our market could not be straightened out without the financial settlement of our internal dinar debt of 12 to 14 billion dollars were also right. That is a source of our inflation. The Federal Executive Council is working to straighten out the country's finances, and to introduce order and discipline on the basis of a new accounting system. In view of the size of the deficit, I do not believe that an orderly situation can be created immediately, on the day when some new law goes into effect. If we could be rigorous and severe, and rapidly, without major exceptions, put the economy in the position of operating under the coercion of economic criteria, and turning toward the market, I think that it would be reasonable for all work organizations potentially capable of operating successfully for a given period established in advance to be exempted partly or completely from paying contributions for general and joint expenditures. Naturally, I am not in favor of hiding the deficit, because then we would have no chance of getting inflation under control and curbing it. The deficits should be expressed in the deficit financing of general and joint expenditures. Naturally, there will be criticisms at once, because the truth is that we have barely gotten out of that situation, and now for several years that expenditure has been more and more modest and impoverished, but is nevertheless covered by real funds. Of the two evils, I would choose the lesser one. What we have now is the worst possible situation. In an open or concealed manner, the deficits are concentrated in the economy and the banks. Under all of the burdens borne by work organizations, even the best of them cannot find the strength to take off, for more rapid restructuring and development. In our difficult situation, after looking at the calculations that indicate that this cannot be overcome just by limiting expenditure, I think that it is still better to have deficits in expenditure than to have an entire economy tied hand and foot.

I also think that those economists are correct who claim that after a significant liberalization of prices, and after many years of administrative interference, the market needs two or three years to stabilize, under the condition that no new freezes await it. I am deeply convinced even today that by accepting several risks we would have resolved some things by today if we had kept to that course longer. Naturally, that assumes political unity and a conscious acceptance of the accompanying negative consequences, along with greater involvement in eliminating what causes them, because without this we will continue to follow a zig-zag line of freeze-relax, hot-cold.

[Question] At the plenum of the Central Committee of the Croatian LC, you recently advocating determination and courage in implementing the market orientation, at the cost of negative consequences, incidents, strikes, and even demonstrations.

[Answer] Yes, with a unified commitment to what we can and must do at this time, and what we must renounce, and with what consequences, we would create precision and clarity in our policy, and thus, I am certain, also willingness for action on the part of the broadest strata of working people. Then I would not be afraid of strikes or demonstrations, even if they occurred--and I am convinced that they would not happen then--because we would have a program with which we could mobilize the workers.

[Question] The talks with the International Monetary Fund were a separate chapter in your term. You had that famous night-time session of the Assembly when you spoke about this until dawn. Are there people who view the agreement with the IMF as a sort of capitulation?

[Answer] We have constantly experienced such criticisms. Once I said, "Provide another team, if you do not have confidence in us." We neither betrayed nor sold out the country; we were faced with the difficult and uncomfortable task of using that means to seek a solution for getting out of the situation our country was in. There was a lack of confidence about whether we had utilized all the possibilities, and whether we had obtained favorable conditions. A difficult situation gives rise to a lack of confidence. One must understand that.

[Question] More and more is being said in Yugoslavia about changes, about opening, about dialogue. At the same time, a reform policy is being carried out in the Soviet Union, in both the economy and in politics; reform is also on the agenda in China. To what extent does that influence us, who began before them and have gone further than them?

[Answer] Above all, it obligates us, but at the same time it also helps us. This is because we have gotten into a crisis and that is why we are slow to part with a voluntaristic way of looking at the economy, even though we wrote that long ago, and because the model of state socialism still come out even when we are not aware of it, even though the entire concept of our system is a negation of it. I am not denying the role of the state--please do not misunderstand me--but we have made the enterprise into a state. Instead of building a modern society that will give free rein to the initiatives, responsibility, and risk of individuals, we have institutionalized relations

too much. Reforms in other countries help us, because we are not the only ones who are fighting against a dogmatic view of socialism. If a China and a Soviet Union, with an assessment of failure and inefficiency, depart from a system of doing business under state and party management, these are great things. If we Yugoslav communists, who were the first ones to begin and open up prospects for a different kind of socialism, could not find the courage to take further steps forward in the direction that we began long ago, that would be a historic farce. This raises the question of the responsibility for self-management and for socialism; if we do not make progress, self-management will be a passing phase in history, and it will not flourish either on our scale or on a world scale.

[Question] The ideological situation in both the LC and society is complex, and it is not making the processes of either political democratization or economic reform any easier. Specifically, bourgeois forces see the market economy and political dialogue as a chance for political pluralism, while the dogmatic forces suspect that liberalization and a return to capitalism will come in through democratization, and see the solution as being a firm state and a strong party.

[Answer] We have all that, and we had all that before. It is another matter that it has gotten worse recently and become more and more widespread, precisely because of the LC's slowness to act. All of this makes us responsible for being more effective and more creative in our direct activity. If we are slower, those forces will clamor more and create the impression that they have something to offer. What they are actually offering, however, is the collapse of Yugoslavia and this socialist society.

[Question] How do you view the party's problems today? Is is capable of transforming itself so that it can change society?

[Answer] The process of the party's transformation, the process of equipping it to act as a vanguard in the modern conditions of our society, has been under way for a long time, actually since the Sixth LCY Congress. The secretary of the LCY Central Committee, in the opening speech at the first meeting of the Central Committee after the 13th Congress, paraphrased Lenin: we can no longer do things the old way, but we do not know how to do them the new way. The party, the League of Communists of Yugoslavia, which has won great historical victories, must find the strength to restructure itself for new tasks and for the new conditions for its activity, so that it can remain recognized and accepted as the leading force in society. We must find new methods of action, within the system, which, as we know, is not functioning in many respects, because the LC has not developed its activity where it should, and in a way that suits its historical and constitutional position.

[Question] Are there differences within the party itself?

[Answer] They are serious. A great deal of work is needed to overcome the current differences in real life. The effort will be worthwhile, because there are many members who genuinely accept this course and they should be equipped for action to build and confirm unity. There are also those, however, who will never accept the basic course.

[Question] Does a solution lie in the party's reducing its membership?

[Answer] Those are topics for discussion. Sometimes I think that perhaps it would be better if there were fewer of us. Nevertheless, the most important thing is to build united action, and to keep the doors of the LCY open to all those who want to join in the battle to turn things around, to pass through the turning points, and for us to part from those who are opposed, who do not belong in it for whatever reasons.

[Question] In conclusion, I have a question that is neither solely political nor solely personal. You worked closely and directly with Comrade Bakaric, and you worked with Comrade Tito and Comrade Kardelj, giants of our movement and revolution who are no longer alive. Their undeniable role is beginning to be questioned. What do you think: why?

[Answer] It is clear who wants to downplay the role of those giants, and why. In this country there are people who have never accepted the policy of the LCY, in the design of which those great people had a crucial role. There are those in the LCY who, encouraged by the fact that we have gotten into a crisis, are publicly speaking against that policy. Those who are resisting the necessary changes, defending every word and every comma written or uttered during that period, are also taking their revenge upon Tito, Kardelj, and Bakaric, who were definitely antidogmatists. I am deeply convinced that neither Tito nor Kardelj nor Bakaric would be enamored of every section in some law that was written then, and that they would courageously--very courageously--change everything that kept Yugoslavia from successfully surmounting its current and future development problems along that same basic path. These were great people, able and willing to verify continually even what they themselves had built, and to take a new step, without vanity, without dogma, away from what they had done yesterday. I am convinced that the changes in the world, the crisis elements, the disruptions, and the new challenges would have given them inspiration for opening up new prospects for socialism. They are not here, and we have to do this ourselves, making use of the tremendous riches and experience that they left us.

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CSO: 2800/181

FEDERAL ORGANS INCREASE THEIR MOTOR POOL

AU011631 Belgrade BORBA in Serbo-Croatian 3 Jun 87 p 3

[Report by Dj. K.: "Everything According to the Law"]

[Excerpts] Belgrade, 2 Jun--During 1986 federal organs purchased 82 passenger cars, 2 trucks, 4 buses, and 1 special purpose vehicle. The federal organs' motor pool now consists of 1,494 road vehicles. In addition to that federal organs have three aircraft, two 7-seater Lear jets and one 12-seater Falcon-50 airplane. Federal organs also have two locomotives, a motorized rail coach, two saloon wagons, and a train (the "blue train"). They also possess 10 vessels, hydrofoils, boats, and floating platforms [pokretne platforme] for the special needs of the Secretariat for Internal Affairs.

This was stated in the report the Federal Secretariat for Justice and Organization of the Federal Administration on the state and use of socially owned property by federal organs in 1986 that was presented today to the SFRY Assembly delegates for discussion. All socially owned property, the report states, is used in accordance with the law.

Federal organs, the report states, also own special purpose property, where certain buildings have been constructed such as a home for old age people in Pristina, which is used for disabled refugees from Albania (the number of beds not mentioned) and special buildings in Banja Koviljaca and Padinska Skela for political refugees capable of accommodating 80 and 140 people respectively.

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CSO: 2800/242

SMOLE ON KOSOVO EVENTS CONCERNING ALL YUGOSLAVS

AU071510 Belgrade BORBA in Serbo-Croatian 15 Jun 87 p 3

[Excerpts] Ljubljana, 14 Jun (TANJUG)--Many Liberation Front activists, veterans, working people, and citizens of Gorenjska and national liberation struggle veterans gathered in Komenda, near Ljubljana, today in order to pay tribute to their fellow-fighters who started the national liberation struggle in Gorenjska in 1941.

Joze Smole, president of the SAWP Republican Conference of Slovenia, greeted those attending the rally and dwelled especially on many significant dates from the history of this region.

Joze Smole devoted a large part of his speech to current questions connected with the situation in the Socialist Autonomous Province [SAP] of Kosovo.

We want the SFRY to be a firm self-managing socialist community which would offer us a guarantee for tomorrow, Smole said. He added that when he talks about our common tomorrow, he also thinks about the exceptional importance of brotherhood and unity in that community and about the respect for differences and the respect for man in it. Here he particularly stressed the exceptional importance of and necessity for solving problems in the Kosovo SAP more quickly. For, from the strategic point of view, those problems represent the greatest danger to our common homeland. Kardelj had already, during his visit to Kosovo, warned of the fact that the Albanian people and its members, who form a majority, must take upon themselves the responsibility for ensuring equal relations for all the people of Kosovo and it is precisely here that the role of the SAWP is irreplaceable. Smole noted that those burning problems are still being solved primarily at state and party levels. We must build the SAWP in such a way that it will get its strength and energy from the mood and will of the masses which are also its most important element.

The present situation in Kosovo which is still not completely in order, is something that hurts the entire Yugoslavia. It is not true, Smole stressed, that the Slovenes are indifferent to events in the Kosovo SAP. On the contrary, those problems concern us to the same extent as they concern the Serbian and Montenegrin peoples, just as they concern the

Albanian nationality. In brief, they concern us to the same extent as they concern all peoples and nationalities of Yugoslavia.

Of course, the occurrences of troubled mutual and intranational relations primarily burden the situation in Kosovo and the SR of Serbia, but they burden relations in the whole of Yugoslavia as well. We sympathize with Serbian and Montenegrin families who have emigrated from Kosovo under pressure and therefore one should do everything to stop this from continuing any longer. We also sympathize with all those citizens of Kosovo whose rights are undermined or even denied to them. Each occurrence of chauvinism, national intolerance, or spreading distrust among people, whatever its sources, is extremely negative, Joze Smole concluded.

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CSO: 2800/242

LCY'S ZARKOVIC ADDRESSES SELF-MANAGEMENT SEMINAR

LD300953 Belgrade TANJUG in English 1943 GMT 29 Jun 87

["Pool" item]

[Text] Ljubljana, 29 Jun (TANJUG)--All that we have achieved in Yugoslavia in the last 40 years has proved wrong the skeptics who, insisting that socialist self-management was inefficient, termed it a Utopia and an unsuccessful experiment, League of Communists of Yugoslavia (LCY) Presidency member Vidoje Zarkovic said in Ljubljana today, opening a seminar on Yugoslav experiences in self-management.

The seminar is attended by Yugoslav experts and 20 or so economists and sociologists from Austria, Ethiopia, the Philippines, India, Ghana, Guyana, Guinea, Greece, the Netherlands, Israel, Nigeria, Norway, the United States, Uganda and Bulgaria, who do research in self-management, with focus on workers' participation, ownership and distribution of income.

Zarkovic underscored that self-management was becoming an increasingly important ideological force in the world we live in. "I believe that the current reforms in China and the Soviet Union are actually founded on the basic principles of self-management. In some capitalist countries, too, there are in evidence initiatives which mark a step towards self-management," Zarkovic specified.

Speaking about the upcoming constitutional changes in Yugoslavia, Zarkovic said they were aimed at opening new prospects for a speedier development of socialist self-management and at eliminating obstacles standing in its way.

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CSO: 2800/242

MOJSOV DISCUSSES THEATER 'CRISIS' WITH ACTORS

LD010921 Belgrade TANJUG Domestic Service in Serbo-Croatian 1506 GMT 30 Jun 87

[Text] Belgrade, 30 Jun (TANJUG)--At the palace of the Federation in Belgrade today Lazar Mojsov, president of the SFRY presidency received a delegation of the Federation of the Actors' Unions of Yugoslavia.

The delegation informed President Mojsov about a number of topical issues and problems of actors' status, place and role in society. It was stressed that according to a unanimous view adopted at the recently held ninth congress of Yugoslav theater workers, theater in the country is facing a serious organizational and material crisis.

They pointed to numerous absurdities and irrationalities affecting theater in the country and which result from its inadequate legal status. The delegation stressed that the work and life in theater is burdened by excessive red tape, complicated organization, insularity of various theaters, and so on. In their view the way out lies in a more adequate material position and status which should be regulated by the coming changes in the law on associated labor and by other regulations which should take into consideration the specific nature of the theater and art in general.

President Mojsov stressed that he follows the achievements by theater artists with great attention and interest and expressed his satisfaction at the high reputation enjoyed by our theater abroad. He placed particular stress on the importance of the fact that our theaters successfully cooperate throughout Yugoslavia, unlike some other spheres of artistic and social life and creativeness which are destroying themselves through nationalist divisions and insularity.

President Mojsov singled out poor organization and inadequate material position as the fundamental problem affecting culture and, by implication, the theater, in our society. He said that he is surprised at the extent of partialization in this sphere. The coming changes in the law on associated labor will be an opportunity to remove some of the shortcomings and to find solutions more suitable for an activity such as acting, Mojsov said.

The republics and provinces as well as large urban centers have an important role to play in removing the shortcomings and opening prospects for the theater's more adequate work. Efforts must be made to find concrete solutions to some of the pressing issues and problems including the problem of the shortage of money, confronting artists in their work. In all this, Mojsov said, rather big tasks are being entrusted to other organs, above all, the Socialist Alliance, which can and should play a more active role in the efforts to resolve the mounting problems in the sphere of arts and culture, in general.

During the lengthy conversation between President Mojsov and the actors' delegation reference was also made to other issues—the status of top artists, differentiation between work and idleness, the activity of various unofficial artistic groups, the place and role of the self-managing communities of interests for culture, the exceptionally low pensions for artists, and so on.

The delegation of the Federation of Actors Unions of Yugoslavia included: Vlatko Eclic, an actor from Zagreb; Vida Ognjanovic, theater director from Belgrade; Jovan Cirilov, a writer and director of the Yugoslav Drama Theater of Belgrade; and Marjan Benedicic, an actor from Ljubljana.

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CSO: 2800/242

CULAFIC EXPRESSES CONCERN ABOUT ROAD SAFETY

AU091738 Belgrade BORBA in Serbo-Croatian 6 Jul 87 p 12

[Excerpt] Belgrade, 5 Jul (TANJUG)--The Internal Affairs organs have very important responsibility for the smooth running of the tourist season and student games in Zagreb. Transportation is an important component of our total internal security and tourism, and this sports event and the preservation of Yugoslavia's reputation as one of the safest countries in the world will greatly depend on this.

This is among other things stated in a letter Dobroslav Culafic, federal secretary for internal affairs, sent to all organs of internal affairs in the country at the beginning of the tourist season.

Emphasizing that it is necessary to pay particular attention to safety on all roads in the country, Culafic warned that the lack of discipline on our roads is shown by the fact that the traffic police register about 4 million traffic offenses every year.

The letter states that the safety on roads is worrying and that it represents a serious social problem. Despite all the measures undertaken by the responsible social subjects, including the organs of internal affairs, we are among the countries with the worst loss of human life and material damage record. It is a known fact that last year 12 people were killed and 167 suffered injuries on our roads every day. This is worrying and should motivate us to invest even greater efforts and undertake all necessary measures.

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CSO: 2800/242

BRIEFS

DEATH OF VOJVODINA OFFICIAL--Novi Sad, 17 Jun (TANJUG)--Milan Vidovic, president of the Chamber of Municipalities of the Vojvodina Assembly, has died in Sombor at the age of 57. [Summary] [Belgrade TANJUG Domestic Service in Serbo-Croatian 1626 GMT 17 Jun 87] /9604

AMBASSADOR TO DJIBOUTI--Djibouti, 18 Jun (TANJUG)--The new Yugoslav ambassador to Djibouti, Ivan Senicar, has presented his credentials to Hassan Goulad Aptidon, president of the Republic of Djibouti. The conversation between the president of Djibouti and the Yugoslav ambassador which took place on this occasion reflected a proximity of views of the two friendly, nonaligned countries about the most topical international issues of interest for both the region and the world. At the same time both sides expressed a desire to see bilateral relations, in particular in the economic sphere, further develop. [Text] [Belgrade TANJUG Domestic Service in Serbo-Croatian 0936 GMT 18 Jun 87] /9604

AMBASSADOR TO GUATEMALA--Belgrade, 18 Jun (TANJUG)--By decree of the SFRY Presidency, Slavko Sukovic has been appointed SFRY ambassador extraordinary and plenipotentiary to the Republic of Guatemala, with his seat in Mexico. [Text] [Belgrade TANJUG Domestic Service in Serbo-Croatian 1555 GMT 18 Jun 87] /9604

CSO: 2800/242

ROMANIAN, BULGARIAN ORDER OF BATTLE, EQUIPMENT DETAILED

Vienna OESTERREICHISCHE MILITAERISCHE ZEITSCHRIFT in German Nov/Dec 86, pp 561-564

[Article by Heinz Magenheimer: "The Armed Forces of the Warsaw Pact States Romania and Bulgaria"]

[Text] Romania

To a certain extent, the country holds a special position within the Warsaw Pact, which is also reflected in many political positions. There have been no Soviet troops in Romanian national territory since 1958 and the Romanian People's Army has not participated with major troop contingents in any Warsaw Pact maneuvers since the military intervention in the CSSR. And the sending of Romanian officers to higher military academies in the Soviet Union was discontinued in 1964.

At the end of the 1950's, they began to develop their own defense doctrine and this development was accelerated by the events of August 1968 in that the armed forces were designated for the defense of the national territory and the Yugoslav doctrine of a "General National Defense" was adopted. The establishment of the "Patriotic Guards" was supposed to put into practice the idea of the popular militia, whereby they wanted to show a potential attacker the disadvantages of an invasion in Romania. Thus, according to Romanian calculations, an aggressor would need to employ around 700,000 men to crush Romania. Legal provisions are supposed to help prevent cooperation between elements of the population and an occupation force from the beginning.

To be sure, in view of everyday political life and the country's economic difficulties, the question arose of the extent to which the bulk of the population has the necessary motivation to undertake the military efforts expected by the national leadership. In contrast to Yugoslavia, the land lacks experience precisely in the area of guerrilla warfare, which has exceptional importance in the defense doctrine. (1)

With a population of about 23 million, Romania has just under 190,000 men in its armed forces, that is, 0.82 percent of the population. Military service is for 16 months in the army and air force and for 24 months in the navy. Compulsory miitary service extends from age 20 to age 45. There is no option for civilian service.

Based on a 1974 decision of the Council of State, the military potential is divided into four groups, namely the armed forces, the "Patriotic Guards" including the volunteers for air defense, works-protection formations, and the rest of the population. With 150,000 men, the army has 2 armored divisions and 8 motorized rifle divisions, 3 mountain brigades (also sometimes designated as regiments), 2 artillery brigades, 2 missile (Scud) brigades, 2 rocket antiaircraft brigades, 4 artillery regiments, 5 antitank regiments, 2 antiaircraft gun regiments, and 1 or 2 airborne regiments.

Most of the divisions correspond to the operational categories I and II, that is, at least 50 to 75 percent of the men and the full stock of combat vehicles are available. On the average for these divisions, 60 to 70 percent of the personnel are to be on duty. (2) The main task named for the field army is to delay the enemy attack and to gain time for mobilization.

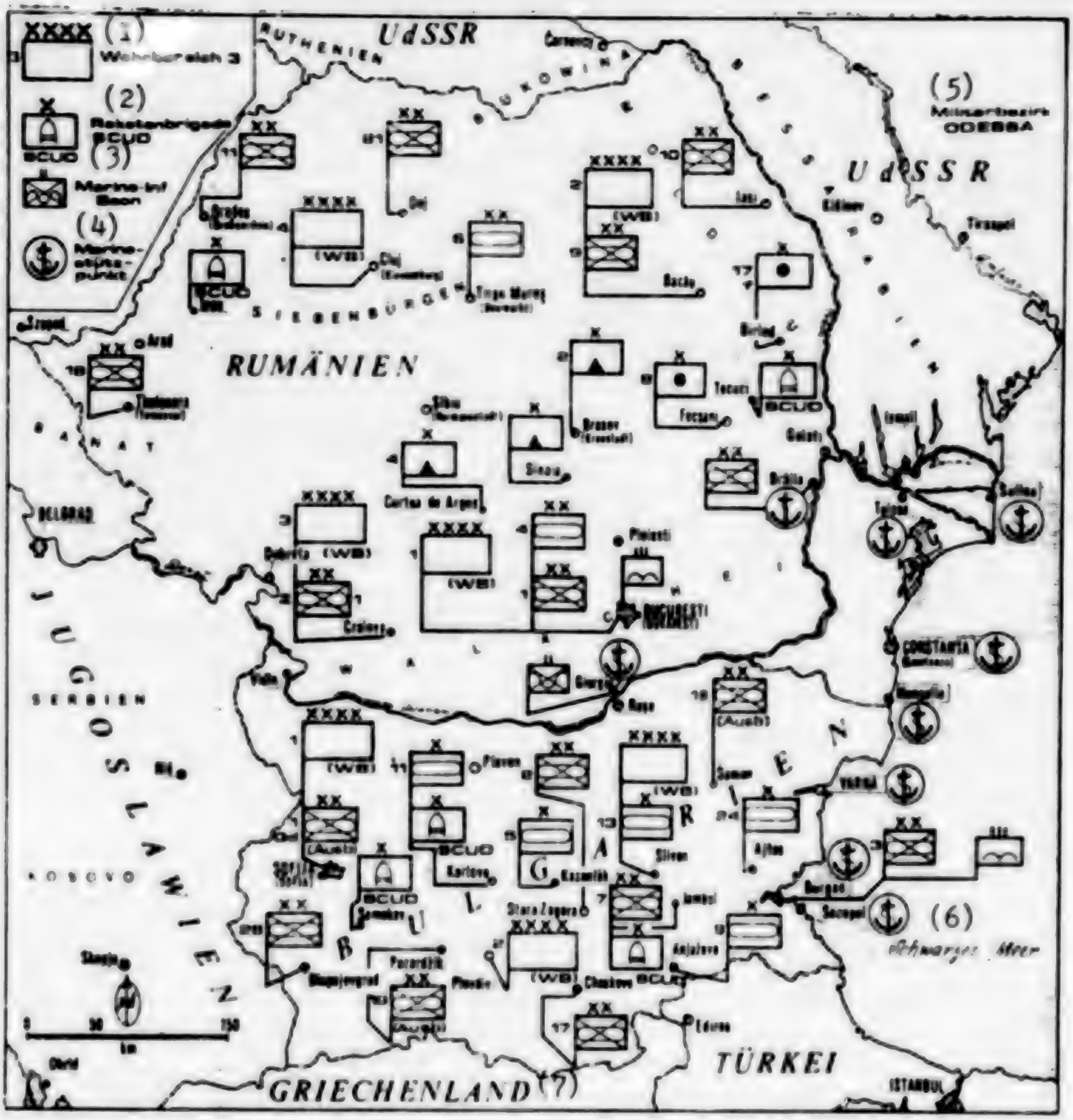
At the beginning of the 1980's, there was a reorganization of the army commands, which also serve as military district commands. Whereas up to that time there were only two armies (Bucharest and Cluj), two new army staffs were now established, so that the distribution is as follows:

1st Army (Military District): Bucharest;
2nd Army (Military District): Bacau;
3rd Army (Military District): Craiova;
4th Army (Military District): Cluj/Klausenburg.

It is not apparent in detail which major formations and army forces are assigned to the four army staffs. The establishment of an army near the borders of each of the Soviet Union and Bulgaria is obviously supposed to eliminate weaknesses in the deployment heretofore.

At the present time, the first, second and fourth armies probably each have one artillery and one antitank regiment. One border protection regiment as a paramilitary formation is subordinate to each army command. The three mountain brigades/regiments, whose combat effectiveness is estimated to be higher than most of the other formations, are, on the other hand, subordinate to the supreme command of the armed forces. Because of an inadequate air transport capacity, an airborne regiment in the vecinity of Bucharest can find only limited use through parachute jumps. In general, the structure of the formations follows the Soviet pattern but they are less well equipped; thus, the armored battalion has only 21 combat tanks. (3)

The army antiaircraft defense primarily relies on tube weapons of calibers 30, 37, 57 and 85 mm, which are in part obsolete and only slightly overlapped by the SAM-6 and SAM-8 antiaircraft missiles.



Deployment of the ground forces and position of the naval bases in Romania and Bulgaria: Lately Romania has had four military districts (army commands), whereby the subordination of the individual major formations does not appear to be completely clear. No obvious concentration of forces can be deduced from the distribution of forces. The bulk of the major formations is distributed in the Siebenbuergen, Moldavia and Walachia areas. Considering its population, Bulgaria maintains relatively strong armed forces, which is also expressed in the deployment. If required, the five armored brigades are assigned to the individual motorized rifle divisions. Among the motorized rifle divisions, only three correspond to operational category III, that is, it is a matter of "cadre divisions" with training tasks.

Key:
1. Military district
2. Missile brigade Scud
3. Naval infantry
4. Naval base
5. Odessa Military district
6. Black Sea
7. Greece

The rest of the defense material also differs greatly in quality. Since the bulk of the approximately 1,300 combat tanks are Soviet T-54/T-55's, there was an attempt to produce a modernized version of this combat vehicle, which was first presented in 1977 under the designation M-77. (4) In this connection, there is often mention of the difficulty in procuring spare parts from the Soviet Union. They also recently began the licensed production of the T-72 combat tank. In addition, mention shculd be made of the armored personnel carrier BTR-70 reproduced under license (TAB-77), whereby self-developed component assemblies have gone into production, just as in the reproduction of the BTR-60 (TAB-72); thus, the TAB-77 has a new gun turret.

In the case of the artillery with about 750 tube weapons, the Soviet short-range guns D-30 (122 mm) and M-1983 (152 mm) prevail; as for the multiple rocket launchers, the 175 BM-21's (122 mm) are to be named. Since the army also has 30 Frog ground-to-ground missiles and 15 Scuds but no nuclear warheads, the question of conventional operations remains open. The country's defense industry, under development since the mid-1960's, is able to produce 60 percent of the needed material but in many branches exports have priority.

The air forces: this military service includes 32,000 men with about 380 combat aircraft that include in part older models. The flying units are organized into 2 air divisions, each of which includes 2 air regiments, whereby there are 6 squadrons with fighter bombers, 12 with fighters and 1 for reconnaissance purposes. In addition to 70 obsolete MiG-17's, the stock of aircraft includes 30 MiG-23's, 18 Il-28's and about 200 MiG-21F/PF7U's as well as more than 60 IAR-93A/B light fighter bombers, which are produced jointly with Yugoslavia ("Orao").

The program for the construction of a joint fighter bomber was begun in 1970; the first flight of a single-seater prototype took place on 31 October 1974, after which series production began in 1979. It is a matter of a single-seater ground-combat aircraft with a reduced secondary capability as a fighter aircraft at low altitudes. The cruising speed at an altitude of 7,000 meters is 730 km/hour and the service ceiling is near 10,500 meters. The Romanian air forces ordered 20 IAR-93A's and 165 IAR-93B's. (5)

In the helicopter sector, the type Alouette III has been produced under license since 1977 and the Puma has been reproduced since 1981. Altogether 280 of these models are to be manufactured under license. In the military version, both models are also to be used as attack helicopters.

The terrestrial antiaircraft defense of the air forces is brought together in an air defense division made up of 18 SAM-12 battalions to protect the airfields or densely populated areas. Altogether 108 antiaircraft launchers are supposed to be scattered throughout the entire country. Generally speaking, however, they are not considered to be very effective.

The navy has 7,500 men and is organized in the "Black Sea Fleet," the "Danube Flotila" and the forces of the coastal defense. As for larger ships, the navy has three frigates and three corvettes. Bases includes Mangalia and Constanza and, along the Danube, Braila, Girgiu, Sulina and Tulcea. Fast patrol boats

of the Chinese Shanghai Class as well as torpedo boats of the Huchwan Class are being built under license to replace the ship classes received from China.

Besides the named military services, there are also about 37,000 men in paramilitary forces, including 12 brigades of border troops (about 17,000 men) subordinate to the Defense Ministry. In addition to the immediate defense of the border, they are expected to combat enemy commando units and to prevent attempts at infiltration.

Romania occupies a special position in the area of international arms control negotiations. In view of the country's poor economic situation, it is endeavoring to cut defense expenditures. At the beginning of September, the Romanian party chief announced that they will hold a plebiscite on a unilateral reduction of armament and military expenditures by 5 percent if a disarmament agreement with other states could not be reached. (6)

As early as 1986, defense expenditures declined slightly from 12.28 billion lei (1985) to 12.21 billion, which amounts to just under 3.6 percent of the national budget of 340 billion lei. A slight decline in military expenditures can probably be expected for 1987 as well.

Bulgaria

The armed forces include about 149,000 men, that is, just under 1.7 percent of the population of about 8.95 million. The army has 105,000 men, the air forces 35,000 and the navy just under 9,000. The length of military service is 2 years for the army and the air forces and 3 years for the navy.

The army is organized into three armies that in peacetime carry out the tasks of military districts; eight motorized rifle divisions, of which three serve as major training formations; five armored brigades and one airborne regiment. The army troops also include four artillery regiments, three Scud missile brigades, four antiaircraft gun regiments, two antiaircraft rocket regiments, one mountain battalion, two reconnaissance battalions and several companies for special missions.

Organizaton and equipment of the major formations follow the Soviet pattern but the scale is not as large. The armored brigades are primarily foreseen for the support of the motorized rifle divisions. The three mentioned training divisions are to be regarded as "cadre divisions" of Operational Category 3. From the point of view of deployment, one can detect a certain concentration of major formations in the eastern part of the country, which can be attributed to the historical Bulgarian-Turkish antagonism.

The equipment includes 1,900 combat tanks, among them a number of T-34's and 60 T-72's, 850 to 900 artillery pieces, about 100 BM-21 multiple rocket launchers, 39 Frog ground-to-ground missiles and 27 Scuds, and about 500 antiaircraft guns or self-propelled antiaircraft guns of various calibers. Bulgaria itself produces infantry weapons and different types of ammunition.

The air forces are made up of an air division organized in seven combat regiments and an air defense division that carries out ground-supported antiaircraft defense, broken down into three zones. There are supposed to be 30 antiaircraft positions with a total of 280 SAM-2/3 launchers. The flying units have about 225 combat aircraft, including, among others, 40 MiG-23BM's, 20 MiG-23M's and 60 MiG-21PFM's. The helicopters are believed to include about 20 weapons carriers (Mi-24's).

By way of larger units, the navy has two frigates, three corvettes and two submarines. Beyond that, it has 6 fast patrol boats and 13 patrol boats in service. The coastal artillery (with more than 2,000 men) numbers 20 batteries with guns of calibers 100 mm, 130 mm and 150 mm. The most important naval bases are Varna, Burgas and Sozopol.

As for other armed forces, there is the border defense in the strength of 15,000 men organized in 16 regiments subordinate to the Ministry of Internal Affairs. In addition, they established various associations such as, for example, the "Citizen-Defense" organization, which serve the purposes of civil and disaster defense as well as preinduction training. Altogether there are said to be 150,000 members of these associations available. In view of the extensive program that students and young people are supposed to complete in the scope of the preinduction training--in the form of "military field instruction," for example--the question of the effectiveness for national defense remains open.

FOOTNOTES

1. For details, see also: Mark Urban, "Rumanian Land Forces Today" in JANE'S DEFENCE REVIEW, No 5, 1983, p 475.

2. Urban, loc. cit.

3. John Keegan, "World Armies," second edition, London, 1983, p 492.

4. In this connection: OESTERREICHISCHE MILITAERISCHE ZEITSCHRIFT, Jan 1980, p 77.

5. JANE'S DEFENCE REVIEW, March 1983, beginning on p 228.

6. FRANKFURTER ALLGEMEINE ZEITUNG, 5 September 1986, p 1.

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DIRECT CONTRACT WITHIN CEMA ENTERPRISES DISCUSSED

Prague PLANOVANE HOSPODARSTVI in Czech No 3, 1987 p 47-56

[Article by eng Jiri Zemanek, Doctor of Laws, candidate for doctor of science, Czechoslovak Academy of Sciences Institute of State and Law, and degreed attorney Jitka Chocholouskova, CSAV Economics Institute: "Direct Contractual Relations in Socialist Economic Integration"]

[Text] Under division 1, b.6 of the Comprehensive Program of Socialist Economic Integration, one of the fundamental techniques for the further intensification and improvement of economic and R&D cooperation and the advancement of socialist economic integration [SEI] is the expansion of direct relationships between ministries, offices and other state agencies, as well as between economic and R&D, design and design engineering organizations of the CEMA member countries. The Comprehensive Program also establishes the main goal and tasks, techniques and organizational forms for these direct relations (division 8, b. 1 and 2), as well as the means for improving the legal foundations for cooperation among member countries (division 15), which will also facilitate the development of direct relationships.

Currently direct relationships encompass a wide range of mutual relations among member countries and their economic organizations in the areas of joint planning activities, international specialization and cooperative production, joint R&D programs, cooperation in the modernization and upgrading of production facilities, etc. The main focus of these programs, however, is cooperative relationships among production associations and enterprises.

The establishment and implementation of direct relationships is managed by the appropriate state offices, utilizing various legal organizational forms. Examples include contracts for exchanges of goods, for cooperative relationships, to establish international collectives, joint laboratories, or international economic organizations [MHO]. The rights and responsibilities of these state offices differ, because their function and authority differs depending on the planned management system of the economy to which they belong. When establishing the form for the implementation of direct relationships between qualified economic organizations, account must be taken of intergovernmental or intersectoral agreements which may set conditions for the establishment of such relationships. Recommendations or negotiated agreements adopted within the context of the CEMA represent a legal foundation for the

implementation of direct relationships between associations, enterprises and R&D organizations of the member countries. Such arrangements are further specified in multilateral agreements on economic and R&D cooperation that are drafted within CEMA offices and in sectoral international organizations of the socialist countries, such as Intermetall, Interchim, Agromas, etc.

Questions related to direct relationships were also discussed at the executive level conference of CEMA member countries in 1984. The conference communique emphasized that the development of production cooperation and the establishment of direct relationships between associations, enterprises and organizations is an important aspect of the improvement of the economic mechanism of cooperation and an increase in its effectiveness. Member countries should implement measures that give their economic organizations the necessary authority to enter into such relationships, that create the conditions for the development of such relationships within the CEMA as well as a favorable environment for the establishment of joint ventures, enterprises and other international economic organizations that operate on a cost-accounting [khozraschet] basis. Organizational measures have been taken within the CEMA to implement this communique (at the 38th Special Council Session). Issues related to direct relationships and international economic organizations were further discussed by the executive council of the CEMA (especially at its 110th, 113th and 116th sessions). Direct contractual relationships will play an important role as well in the implementation of the Comprehensive Program of R&D Progress for the CEMA Member Countries Through the Year 2000, which was adopted at the 41st Special CEMA Session in 1985.

Current practices of member country agencies and organizations have shown that the development of direct relationships depends not only on the status of the economic mechanisms of these countries and the scope of authority offered by ministries and other central state administrative offices to associations, enterprises and facilities for the establishment of such relationships, but also on the status of the multilateral international agreements covering these questions.

I. Place and Role of Direct Relationships in the Cooperation Mechanism

The legal framework of international socialist economic integration [MSEI] is implemented both at an international legal level, where the contracting parties are nations or international organizations, and at a civil law level, where the interested parties are the economic organizations of member countries. Each of these fields of law has independent and mutually distinct legal conventions, but this does not prevent the existence of specific links between the two systems.

When establishing the legal framework for contractual relationships between economic organizations two fundamental, mutually interrelated factors must be respected, namely, the international basis of SEI and the civil law aspects of these relationships. Requests for the establishment of direct relationships between member country economic organizations stem from tasks of national economic development plans and depend on the existence and planned utilization of international market and price relationships. The state monopoly on the

management of foreign economic relationships of member countries assures that these relationships will be established in a planned manner.

The most effective legal format for codifying relationships between member country economic organizations are civil law contracts which provide economic incentives for the participants and codify legally the material responsibility of the parties for failure to meet the contractual obligations.

Relationships between countries are usually codified by international agreements and recommendations of CEMA agencies. These legal documents, however, cannot directly establish the rights and responsibilities of domestic facilities because of the principle that the responsibilities of a state and of those entities covered by civil law differ with regard to international legal obligations. The domestic fulfillment of international obligations is assured through various supplementary acts of state authority.

Specific measures related to cooperation are implemented through the following contractual systems: intergovernmental agreements, intersectoral agreements, and civil law contracts. Multilateral intergovernmental agreements precede the signing of bilateral agreements at various levels, in the form of civil contracts between economic organizations. At the same time, agreed-upon volumes of mutual deliveries must be incorporated into protocols on the results of national economic plan coordination, bilateral trade agreements for the 5-year period, and annual protocols appended to these agreements.

The expansion of direct relationships between appropriate national agencies and between economic and other organizations of the CEMA member countries can also be accomplished on a contractual basis. Relationships between these parties are also implemented at two legal levels; direct relationships at the level of member country state agencies come under international law, and direct relationships at the level of member country economic organizations come under civil law. In exceptional cases a state may enter into direct relationships with economic organizations of another country, either because such a relationship makes sense, or because the management system for foreign economic relations does not permit economic organizations to enter into direct relationships at the international level. These so-called diagonal relationships must be considered to come under civil law jurisdiction, because economic organizations cannot be subjected to international law.

A more advanced form of direct relationships between member country economic organizations is an international economic organization [MHO] operated on cost-accounting principles. Moreover, the economic activities of these organizations (such as marketing) lead to the establishment of additional direct relationships.

Direct relationships between member country economic organizations are implemented under agreements and contracts concerning international production and R&D cooperation and specialization, agreements and contracts concerning R&D cooperation or concerning the conduct of custom R&D work, the merging of resources to achieve joint objectives while retaining the organizational forms and structures of the contracting parties, or the establishment of new

organizational entities such as joint centers, institutes, work sites or MHO. Direct relationships between these entities extend beyond the framework of traditional goods exchange and facilitate the more effective resolution of tasks related to the proportional development of the individual economies of the member countries and the community. Direct relationships in these instances are usually established without the complicated involvement of agencies and organizations; the opportunity is gradually expanding for initiative in this area on the part of economic organizations, while simultaneously increasing their material responsibility.

Member countries are searching for common ground on the concept of direct relationships, their forms, and their role in the process of integration. For direct relationships to be implemented more widely the economies of the member countries need to be more open to each other, the problems that occur with direct relationships within member countries, and with regard to the integration mechanism itself need to be identified and dealt with. One such domestic obstacle are different elements in the management systems of member countries that reduce economic pressure and overall incentives for economic organizations to solve problems by establishing direct relationships. A number of problems are also caused by lack of uniformity in the legal procedures for negotiating and signing international contracts for economic and R&D cooperation in individual member countries, by the complexity of the permit procedures for establishing civil contracts concerning R&D cooperation, etc. This legal situation, and above all the lack of clarity on several basic economic questions of cooperation can and frequently does lead to delays in the formation of joint agreements, as well as to a general reduction in their authority to bind both parties.

Improving management systems within member countries and the mechanisms of their mutual interaction must, however, assist in the development of other forms of cooperation among these countries (i.e., joint planning activities, coordination of economic and R&D policy). What is needed, therefore, is a comprehensive approach to the creation of conditions for the full development of integration processes. This in turn will require the availability of necessary resources and a coordinated approach to the solving of basic systemic problems.

II. Status of Current Legal Forms for Contractual Relations

In considering the question of the current legal forms of contractual relations between economic organizations, one must recognize the difference between these agreements when they are signed between organizations within the same country and those which involve organizations in different countries. Contractual relationships between economic organizations of different member countries contain a foreign (international) component and therefore are linked to two or more domestic legal codes. Even though the presence of this foreign component imparts an international aspect to civil law relationships, it is impossible to use public international law, because parties to legal relationships with a foreign component are not subject to international law, but are legal persons subject to sovereign state power (so-called nonsovereign subjects).

Member countries have special legal norms for the codification of these civil law relationships with a foreign component. These involve on the one hand conflict standards which specify conflict resolution criteria for the application of the appropriate legal code, and on the other hand direct international norms which codify in a uniform manner questions of civil law relations with an international component. The existence of these legal standards is necessitated by differences in the legal codes of individual countries and their treatment of civil law relationships. In addition to special legal standards there can also be legal standards applicable exclusively to civil law relationships with an international component and which are applied only when conflict resolution standards dictate the applicability of the legal code of which they are a part. Legal standards that codify civil law relationships with an international component are thus components of domestic law, and specifically, a part of international civil law.

The legal form of these relationships is determined by two techniques, one related to conflict resolution law and the other to property law. The older, the conflict resolution legal technique, has for some time now been developed on the basis of bilateral relations and in practice has been causing difficulties because of different national conflict resolution laws. The property legal technique in essence excludes conflict resolution codes and therefore the difficulties stemming from them. This legal technique can codify questions which have to date not been adequately codified in domestic legal codes, or which have not been codified at all. For this reason, in many cases direct, international standards, uniform throughout all member countries, are more appropriate. The property law technique cannot, however, completely exclude the problems inherent in the conflict resolution legal technique, and for this reason international direct standards as a rule include a uniform conflict resolution standard which makes it possible, when necessary, to apply domestic regulations.

The standard codification of relationships between member country economic organizations is therefore contained in joint normative documents and in domestic regulations. The applicability of national laws is gradually being limited due to ever expanding joint international codification of typical groups of contractual relations. For certain types of relationships, however, no unified code has yet been devised, or one exists but serves only as a model or a facilitating document.

a) The most important generally obligating normative documents, adopted within the CEMA, and which apply to direct relationships are:

-- for the foreign trade relationships of member country organizations, authorized to conduct foreign trade operations: i) General Conditions for Delivery of Goods Between Organizations of the CEMA Member Countries (VDP of CEMA 1968/1975, 1979 edition); ii) General Conditions for Installation and Provision of Other Technical Services Related to Deliveries of Machinery and Equipment Among Organizations of the CEMA Member Countries (VMP of CEMA 1973); iii) General Conditions for Providing Service for Machinery, Equipment, and Other Products Delivered Between Organizations of CEMA Member Countries Authorized To Conduct Foreign Trade Activities

(VSP of CEMA 1973, 1982 edition); and iv) the General Principles for Providing Spare Parts for Machinery and Equipment Delivered as Part of Mutual Trade Between the CEMA Member Countries and Yugoslavia (1973);

-- for economic and R&D cooperation: i) General Conditions of Specialization and Cooperative Production Among Organizations of CEMA Member Countries (VPSK of CEMA, 1980); ii) Organizational, Methodological, Eco omic and Legal Foundations of R&D Cooperation Among Member Countries and CEMA Agency Activities in This Area (1972).

In addition, other normative documents have been adopted which codify selected issues of economic and R&D cooperation. These include: Agreement on Legal Protection for Inventions, Industrial Models, Applications Models and Trademarks in the Implementation of Economic and R&D Cooperation (1973), Agreement on Unification of Requirements for the Processing and Submission of Patent Applications for Inventions (1975), Agreement on Reciprocal Recognition of Manufacturers Certificates and Other Documents Protecting Inventions (1976).

In addition to generally binding regulations, the following model documents are used in economic and R&D cooperation: General Agreement on R&D Cooperation on a Specific Problem; General Conditions of Contracts for the Conduct of Cooperative Research, Development, and Experimental Work; General Contract for the Conduct of Specifically Targeted R&D Work; General Licensing Agreements; General Contract for the Establishment of a Temporary R&D Collective; General Regulations for the Material Responsibility of Organizations Related to Contracts for Cooperative R&D Work;

-- for questions of the establishment and operation of member country joint economic organizations, there are facilitating documents: General Resolution Regarding the Establishment and Operation of an MHO; Uniform Resolution on Establishment and Operation of an MHO; General Regulations Governing Finance and Accounting Practices for International Organizations of Participating CEMA Member Countries, etc.

Direct relationships between organizations of member countries are to a large extent, then, codified by uniform international standards, namely, the appropriate General Conditions of the CEMA, which have been transferred into domestic law as generally binding legal regulations, with precedence over domestic legal codes. In the event that civil legal disputes arise, they are heard by the Arbitration Court of the Trade Office of the pertinent member country, on the basis of Understandings Concerning the Resolution of Civil Legal Conflicts in Economic and R&D Cooperative Relations Under Arbitration. (Decree No 115/1974, Laws of the CSSR, of the Ministry of Foreign Affairs.)

b) Basic Czechoslovak legal regulations applicable to the area of direct relationships:

-- Constitution of the CSSR and other basic regulations which govern the negotiation, establishment, conduct, and termination of international contracts (Constitutional Law No 143/1968, Laws of the CSSR concerning the Czechoslovak Federation); Decision of the President of the Republic on

Negotiating International Contracts (No 31/1969, Laws of the CSSR); Law on the Jurisdiction of Federal Ministries (No 133/1970, Laws of the CSSR). To implement these legal standards the CSSR Government issued Guidelines for the Negotiation, Codification, Conduct, and Termination of International Contracts, and Instructions, published by the Ministry of Foreign Affairs of the CSSR on the implementation of these guidelines and on controlling the conduct of international contracts;

-- The Law on National Economic Planning (No 145/1970, Laws of the CSSR), which codifies the basic links between state agencies which adopt international obligations, and the socialist organizations which assure their fulfillment;

-- legal standards which govern the permitting procedure related to civil legal contracts between economic organizations of member countries, including the establishment of joint economic organizations or international research institutes and centers. Specifically, these include the Law on Economic Ties With Foreigners (No 42/1980, Laws of the CSSR); Law on Foreign Currency Management (No 142/1970, Laws of the CSSR); and their various implementation decrees.

The following implementation decrees were issued in relation to the Law on Economic Ties to Foreigners:

-- No 157/1980, Laws of the CSSR; CSSR Government resolution on issuing permits to sign, change, or terminate certain contracts concerning production specialization or cooperative production with foreign firms;

-- No 81/1980, Laws of the CSSR, CSR Government resolution; SSR Government Resolution No 150/1980, Laws of the CSSR: on the authority to grant, change, or revoke permission to enter into contracts on production specialization or cooperative production with foreign firms by Czechoslovak legal entities managed by national committees;

-- No 86/1981, Laws of CSSR; Decree of Federal Ministry for Technical and Industrial Development [FMTIR] on entering into and completing contracts on R&D cooperation with foreign firms;

-- Decrees of the Federal Ministry of Foreign Trade [FMZO] on granting permission for foreign trade activities and on the conduct of foreign trade activities by foreign individuals (No 60/1980, Laws of the CSSR); on the control of foreign trade activity (No 62/1980, Laws of the CSSR); on preventive control of exported and imported goods and on permits to use imported goods (No 140/1980, Laws of the CSSR); on procedure for liquidating foreign trade organizations [PZO] (No 167/1980, Laws of the CSSR); on PZO operations councils (No 54/1981, Laws of the CSSR); on the importing of turnkey capital equipment (No 104/1983, Laws of the CSSR);

-- No 64/1980, Laws of the CSSR; Decree of the FMZO and FMTIR on procedure for applying industrial law and production-technical knowledge in foreign trade relationships;

— No 53/1981, Laws of the CSSR: Decree of Federal Ministry of Transportation on conditions for providing transportation services abroad;

— Decrees of the Ministry of Culture of the CSR (No 57/1981, Laws of the CSSR) and SSR Ministry of Culture (No 61/1981, Laws of the CSSR) on the granting, changing and revocation of pe..'ssion to provide services abroad in the area of culture, and to control the delivery of such services;

— Decree of the CSR Ministry of Health Care (No 23/1983, Laws of the CSSR) and SSR Ministry of Health Care (No 61/1984, Laws of the CSSR) on the granting, change and revocation of permission to provide services abroad related to spa treatment, and control of the delivery of such services;

— Domestic standards which codify civil legal relationships with a foreign element (Legal Code for International Trade, No 101/1963, Laws of the CSSR, Law Concerning International Civil Rights and Court Rights, No 97/1963, Laws of the CSSR, Law on Arbitration Procedures in International Trade Relation and Implementation of Arbitration Findings, No 98/1963, Laws of the CSSR), which will be integrated into conflict resolution regulations contained in a contract or in the appropriate CEMA General Conditions. Specifically, this involves questions which are either treated incompletely in the appropriate CEMA General Conditions, or which are not treated at all, unless a contract specifies to the contrary.

Several other domestic regulations are applied indirectly. For instance, the question of the scope of capability of organizations to enter into civil legal contracts is being treated under Commercial Code No 109/1964, Laws of the CSSR (most recent version including all supplements under No 45/1983, Laws of the CSSR) in relation to the Law Concerning Economic Contacts With Foreign Firms.

c) In the USSR several regulations were adopted recently that set the groundwork for improving cooperation between Soviet agencies and organizations with partners from other CEMA member countries, mainly in the areas of science, technology, foreign trade and international specialization and production cooperation:

— Resolution No 652 of USSR Council of Ministers, dated 9 Jul 1981, which established the tasks and rights of ministries and other central agencies, associations, enterprises and organizations in contractual relationships with partners from member states, paying greater attention to planning and the development of direct relationships. It is based on the principle that the legal basis for the development of direct relations within the CEMA are international contracts, which are specified in civil legal contracts;

— Resolution No 550 of the USSR Council of Ministers, dated 7 Jun 1984, which amplifies the resolution in the above section. Regarding the newly established tasks to address the problems of plann'ng and organizing various types of direct relationships, they are based on current experiences in this area and take into account the question of direct economic incentives for participating cost-accounting organizations;

-- Main Principles for the Implementation of Direct Production and R&D Relationships Under International Intrasectoral Cooperation Between Ministries, Other Central Agencies Associations, Enterprises, and Organizations of the USSR and Other CEMA Member Countries, which was approved by the above 1984 resolution. These Main Principles are today the most pertinent and detailed measures on this issue. They are based on the principle that direct relationships are a means to achieve internal sectoral production and R&D cooperation which from the Soviet side is provided by ministries and other central agencies of the USSR, as well as their subordinate associations enterprises and organizations, which are the main agents of the implementation of these relationships. For this reason, it also establishes the tasks and rights of each of these entities related to the implementation of direct relationships and international intrasectoral cooperation, planning techniques for international intrasectoral cooperation and decisionmaking procedures regarding the establishment of direct relationships and controlling the fulfillment of adopted contract obligations.

Direct relationships and international intrasectoral cooperation at the level of ministries and other central agencies is currently conducted based on international contracts, while relations at the level of associations, enterprises and organizations are conducted based on decisions of the relevant ministry and other central agencies of the USSR, and subsequently under economic agreements. The economic efficiency of this cooperation is calculated with the help of a computer system at the planning agency. The costs associated with direct relationships of associations, enterprises, and organizations of the USSR are covered from the internal resources of the association, enterprise, organization in question, as well as of the ministries and other central agencies of the USSR. Soviet representatives on intergovernmental commissions for economic and R&D cooperation are informed by ministries and other central agencies of the USSR on the progress of work related to implementing direct relations and the development of international intrasectoral cooperation, assist these agencies in developing cooperation with other CEMA member countries, conduct inspections and coordinate proposals for cooperation with ministries and other central agencies of the CEMA member countries.

III. Preconditions for Increasing the Effectiveness of the Legal Code

Within the context of their domestic legal orders, the member countries are setting up the framework for the implementation of direct relationships, so that their legal systems will contain the regulations necessary to support direct cooperation between domestic agencies and organizations and partners from other member countries. In the meantime, direct relationships at the level of ministries and other central agencies of state administration in the member countries have been evolving more easily than direct relationships between economic organizations of the same countries, provided that state agencies have been authorized to enter into direct relationships with appropriate entities in other member countries, and to conclude intersectoral agreements aimed at meeting obligations under intergovernmental agreements or tasks set by the government, the state plan, etc. The development of direct contractual relationships at the civil legal level has been hampered by the

legal regulations of member countries pertaining to the establishment and implementation of these relationships, differences in national economic planned management systems, and different procedures for authorizing economic organizations to establish direct relationships.

Some member countries have updated the documents and resolutions pertaining to direct relationships with the aim of setting the necessary foundation for the establishment and operation of MHO. These legal codes, however, have not been mutually coordinated, which has resulted in the need for supplementary measures, especially for MHO that are to be operated on cost-accounting principles.

Other CEMA documents are important for the development of direct relationships. These relate mainly to improvements in the system of multilateral international and civil legal contracts concerning economic and R&D cooperation, the ongoing improvement of the CEMA VDP in the sense of increasing the material responsibility of organizations for failure to fulfill, or the improper fulfillment of obligations under civil contracts, the drafting of other model documents related to the comprehensive relationship between science, technology and production cooperation, as well as to facilitate the development of specific sectors and products, and the comparative study of member country national legal standards, with the objective of making these standards increasingly uniform.

The improvement of the current system of agreements and contracts related to the implementation of measures in material production and R&D takes into account those tasks which will require the concentrated efforts of the member countries in the most critical areas of their economic development, and is intended to provide specific organizations with cooperation related mainly to speeding up R&D progress. The existing system of contracts has also not provided for effective domestic controls and supervision by CEMA agencies, by bilateral intergovernmental commissions and other agencies of the fulfillment of established obligations. Moreover, existing contracts have not met fully the needs for the development of direct relationships between member country associations, enterprises and organizations in the area of R&D and production cooperation, nor have they made effective contributions to the development of contractual relations in the area of R&D and design engineering work.

The current mechanism for economic cooperation between CEMA member countries does not now contain the essential economic incentives to generate an interest in the enterprise sphere in the establishment of direct production relationships or to create the necessary pressure on Czechoslovak economic organizations to use international cooperation as one means for solving their problems and meeting plan objectives. At present there is no practical, reliable and uniform common value equivalent, price formation principles on the international socialist market are out of line with national pricing systems, mutually incompatible criteria are currently used to measure the effectiveness of integrational projects, etc. There is no way that the legal or the contract system can resolve this problem alone, by taking the place of economic relationships.

Because of the fact that the above systemic inconsistencies in the international cooperation mechanism and national economic planned management system are of

long standing, and can therefore only be resolved gradually through the joint efforts of all CEMA member countries, each individual country is implementing its own program to rectify the situation, and countries are consulting with each other on the progress they have made.

Experiences in getting the Czechoslovak economy involved in the integration process have shown that in addition to direct relationships established at the central agency level, it is also necessary to develop broadly based multilateral direct cooperation among economic organizations. General systemic conditions, however, cannot reliably provide for its further development (standard and specific proposals for the establishment of direct relationships between economic organizations have frequently remained unimplemented, or have failed to result in cost-accounting operations, or have required excessive mediation assistance from central agencies).

In view of the importance that is correctly attached today to the development of direct relationships between economic organizations of socialist countries, "there is no way we can wait for ready solutions. We need to build on the foundations that already exist." [R. Rohlicek, "The Intensive Development of Direct Relationships, RUDE PRAVO, 14 Oct 1985]. For this reason, the CSSR Government has recently approved Guidelines for Establishing Direct Relationships Between Socialist Organizations of the CSSR and Organizations of CEMA Member Countries. The application of these guidelines within the framework of the Comprehensive Program of R&D Progress for the CEMA Member Countries Through the Year 2000 will be tested by Czechoslovak organizations established by appropriate general contractors. The guidelines will be refined after consulting with member countries. These consultations may result in further modifications and changes, with the potential for agreeing on specific uniform guidelines for several participating countries.

These guidelines set the stage for the involvement of socialist organizations in direct relationships, give them incentives to choose forms of production, R&D and investment cooperation that most effectively meet plan targets, and to improve their overall performance. Supervisory agencies and foreign trade organizations should participate in direct relationships between socialist organizations to an extent that is effective and essential for meeting national goals and priorities. The Guidelines represent a foundation as well for the development of more sophisticated forms of cooperation in the area of combining equipment and other resources to achieve common objectives and to establish joint R&D or production associations and enterprises.

The formulation of Guidelines was guided by an analysis of Czechoslovak legal regulations pertaining to the establishment of economic and R&D cooperation with foreign entities and of certain regulations governing the joint legal procedures involved in cooperation within the framework of the CEMA. The Guidelines, however, do not rest exclusively on legal regulations, but extend beyond their framework in accordance with the authority granted to the CSSR government in these regulations. In addition, Guidelines provide the organizations involved in direct relationships with instructions for applying the legal regulations, making it easier for them to orient themselves in the legal aspects of direct relationships.

Additional measures will also be adopted related to the implementation of Guidelines and to support the implementation of the Comprehensive Program of R&D Progress. One example is Principles of Finance, Credit and Accounting for Socialist Organizations in the CSSR Establishing Direct Relationships With Economic Organizations of CEMA Member Countries. These regulations were compiled by the Federal Ministry of Finance and by the Czechoslovak State Bank. The principles contained in this document will relate to direct relationships implemented on the basis of production specialization and production cooperation contracts, to direct relationships related to R&D cooperation, and the MHO established by CEMA member countries.

Of the other questions pertaining to MHO (international economic associations, joint ventures and firms) among the most complex are those concerning the integration of these facilities into the economies of their host countries. This is related to the question of an appropriate legal code for such establishments.

The problem may be more precisely formulated as the question of how applicable Czechoslovak commercial, financial, administrative and other legal regulations would be to an MHO with headquarters in the CSSR, or if such an MHO had either a production branch or service facility on our territory. To what extent, in such cases, could we apply the general domestic legal code to such organizations. Should the applicability of the domestic code be commensurate with the fact that an MHO is an independent legal entity with foreign ownership participation?

The above questions inevitably lead to further speculation about specific legal relationships, because the Czechoslovak state, as the host country, will act not only as the territorial sovereign, but also as the own-representative of the monopoly of socialist ownership. The counterargument is that the property of the MHO cannot be clearly considered as a decentralized fund of the home country, as is the case for domestic organizations.

Detailed analysis would also allow us to establish the extent of transfer payment responsibilities for MHO to the state budget, the extent of planning autonomy of an MHO, the degree of permissible state intervention in the internal management of an MHO, etc. Many of these relationships will more than likely require different regulations than those that apply to normal economic organizations. Nor can we ignore the question of how to implement whatever differences arise so we can avoid the opposition extreme, namely, the creation of unwarranted advantages for an MHO, putting these organizations in a "greenhouse environment." Specific authorization regulations introduced so far in certain generally binding legal regulations and authorizing sectoral agencies to allow case by case exceptions to standard operating procedures to MHO, may be inadequate for future needs. It will certainly be necessary to get to some conceptual resolution of this issue, in the form, for instance, of a government resolution governing the legal form of establishment techniques of management, planning, finance, control and other legal relationships of MHO with headquarters in the CSSR. The adoption of such a resolution has been anticipated by Section 389a of the commercial code.

Creating incentives to develop direct relationships between member country economic organizations generates further tasks that must be resolved over time by the central agencies of participating countries. These involve mainly questions of calculating basic components of wholesale prices and integrating domestic prices with world market prices, developing techniques for the planned management of foreign relations, the utilization and material coverage of loans and interest payments to the International Bank for Economic Cooperation and the International Investment Bank, developing the conditions for the free convertibility of national currencies, and regulations governing the export of products produced on the basis of joint development efforts.

In addition, increased attention will have to be devoted to questions of management related to foreign economic relationships as an integral component of the overall planned management system of the Czechoslovak economy. One purpose of the management and conduct of international economic and R&D cooperation is to foster the full incorporation of the Czechoslovak economy into the international socialist division of labor by developing socialist economic integration and the comprehensive coordination of future CSSR economic development with the integrated development of the community of member countries as a whole, as well as the development of individual socialist countries. In addition, the conception for the incorporation of the CSSR economy in the process of socialist economic integration must be an organic component of the drafting and formulation of national economic forecasts and planning.

All the above measures will gradually be included in the legal codes of the CSSR. We should not expect that one-time measures will suffice to create the proper domestic environment for these changes. The proper way to implement a legal policy in this area is to develop a uniform legal objective and use this as the basis for specific steps. Direct contractual relationships between economic organizations of CEMA member countries cannot in the future be understood as something unusual, for which artificial measure need to be developed. On the contrary, it is the barriers that currently exist that need to be considered as artificial, as foreign to socialist production relationship and the entire process of integration. Only by fully understanding and implementing this strategy will we succeed in eliminating barriers to progress.

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COMMUNICATIONS DEVELOPMENTS DURING 8TH 5-YEAR PLAN VIEWED

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[Article by Frantisek Vavra, State Planning Commission: "Communications Developments in the Eighth 5-Year Plan"]

[Text] The development of communications in the Eighth 5-Year Plan will be closely related to the tasks of the Seventh 5-Year Plan. The primary focus of efforts in this area will continue to be the development of telecommunications.

In line with long-range objectives, construction will continue of a fully automated trunk-line telephone system in the CSSR. This system should be completed during the 10th 5-Year Plan. In the current 5-year plan the transit telephone network will be expanded to include four new automated transit exchanges, in Ostrava, Pardubice, Gottwaldov and Nitra. At the same time the capacity of the existing automated transit exchanges will be expanded by 20,800 access points, distributed among the long distance central office in Prague and the central offices in Ceske Budejovice, Brno, Banska Bystrice, Kosice, Poprad and Presov.

By the end of 1990 the transit telephone exchanges in the CSSR will be 78.3 percent automated (73.3 percent in the CSR and 87.5 percent in the SSR). Based on the rate at which the telecommunications facilities for main central offices are being built, automation will continue of trunk telephone traffic in the lower level of the switching network, i.e., the main central office network. In comparison with the previous 5-year plan, the Eighth 5-Year Plan will see a stepping up of construction and automation of automated main telephone areas [UTO], primarily in the CSR, which historically has lagged behind the SSR in this regard. On the whole, by the end of 1990 the number of fully automated main telephone areas should increase by 85.7 percent (by 81.9 percent in the CSR and by 93.9 percent in the SSR). The precondition for speeding up the automation of UTO in the Eighth 5-Year Plan in comparison with previous plans will be widespread construction of local cable networks, including automated central offices in local and regional office areas [MTO] which are still operated manually, and the subsequent connection of these local offices to the appropriate automated main offices by the laying of main telephone cable. In terms of national requirements, its contribution to economic efficiency, its role in facilitating the implementation of computerized management systems,

improving the quality of services for the general public and, last but not least, improving the utilization of the network and its equipment, this faster pace for automating UTO is very critical and effective. Meeting these targets will allow us to complete the full automation of the local exchange network in the CSSR by the end of the Eighth 5-Year Plan.

In conjunction with the construction of transit and main central offices the capacity of the long distance telecommunications network will be expanded by the laying of additional long distances small and medium diameter coaxial cable, which will be combined as dictated with the construction and rebuilding of directional radio-relay communications at all levels of the network. The capacity of the long distance transmission network will be expanded with the installation of new transmission equipment and the upgrading of line links in the long distance cable network that were installed in the 1950's and 1960's. The ongoing development of fully automated long distance trunk telephone traffic will depend on the construction of new transmission facilities in about 31 long distance offices in the CSR and about 13 such offices in the SSR, in conjunction with the installation of main and transit center equipment.

Targets for the expansion of the local phone network are much more demanding in the Eighth 5-Year Plan than they were for the Seventh 5-Year Plan:

	Seventh 5-yr plan	Eighth 5-yr plan	Increase	Index 8th 5-yp/ 7th 5-yp
Total increase in telephone stations (thousands of stations)	441	533	+92	120.86
Increase in central telephone stations	223	342	+119	153.36
Increase in residential telephone stations	169	255	+86	150.89

It will also be more difficult to meet these targets in the Eighth 5-Year Plan, because the draft plan projects some growth to come from improving the efficiency of existing automated public central offices from the 77.14 percent level recorded in 1985 to 83 percent by 1990 (86 percent for the CSR and 79 percent for the SSR).

The Eighth 5-Year Plan also projects an increase in residential stations as a percentage of main telephone stations. This percentage should increase by the end of 1990 to 69.82 percent for the CSSR (69.06 percent for the CSR and 71.60 percent for the SSR). Telephone station density per 100 inhabitants should be 26.2 by the end of 1990 for the CSSR (28.2 percent for the CSR and 22.5 percent for the SSR). By the end of 1990 28 percent of all apartments will have telephones in the CSSR, up from 24.6 percent at the end of 1985.

The projected growth rate of local telephone networks for the Eighth 5-Year Plan will receive the highest priority in those areas with the highest call densities, namely, Prague, the north Bohemian agglomeration, and Bratislava. The quality and sophistication of telecommunications services will improve through a broad plan of upgrading the capacities of first generation (Tesla P-51) national public automated central offices, and the gradual elimination of party lines and party telephone stations.

In developing the telephone system in the Eighth 5-Year Plan priority will further be given to the telephone systems in urban housing projects. In these projects the building of a telecommunications building and the laying of cables will be considered as communications construction required for comprehensive housing construction undertaken by the investors in these projects (usually kraj national committees, and the national committees of Prague and Bratislava). This will involve the construction of 43 telecommunications buildings in the CSSR.

In the older sections of cities the existing local cable network will be modernized, new cable will be laid, and the capacity of public telephone offices will be modernized and expanded. In Prague and Bratislava the upgrading will be accomplished by installing E-10 electronic switching systems from Poland. The local cable network will be expanded during the Eighth 5-Year Plan by 1.5 million kilometer pairs of cable, almost 50 percent of which will have a 0.4 millimeter reduced copper core (to conserve scarce nonferrous metals). By the end of the Eighth 5-Year Plan the installation is projected of switching and carrying fiber optical telecommunications cables between automated central offices.

During this period work will also begin on modernizing obsolete and overloaded telex equipment at telex centers. Digital switching systems imported from nonsocialist countries will contribute to this program. The first center to be modernized will be the one in Bratislava with its affiliated centers in Kosice, Zilina, Nitra and Banska Bystrice. Modernization of the long distance transit telex center in Prague and its affiliated centers in Ceske Budejovice, Usti nad Labem, Hradec Kralove and in Kolina will begin early in the Ninth 5-Year Plan.

Radio Communications

In radio transmission it is essential to modernize selected antenna towers and radio communication centers that broadcast on medium waves. The radio communications center at Zbraslav will be moved (an investment necessitated by the mining of gravel at the Zbraslav quarry). Construction will begin in 1987 of a high-performance radio transmitter designed for the foreign broadcasts of the West Bohemian Czechoslovak Radio. It will have a capacity of 2 x 750 kilowatts in the medium wave band.

In the SSR operations will start of the West Slovakia high-performance medium wave radio transmitter, to provide improved reception conditions for the programs of the Bratislava national region. Modernization of the Bratislava city radio communications center is also planned.

In the area of television transmission plans in the CSR call for the modernization of the eight oldest television transmitters, including obsolete rebroadcast stations in the transmission network of the first television channel. In addition, the Prague-Cukrak transmitter will be rebuilt, since it has been operating since 1961. In 1986 construction began on a Prague City transmitter. Located in Prague 3-Mahler Gardens it will replace the Prague-Petriny TV when it begins operations in 1991.

It will be necessary to nodernize nine transmitters in the transmission network of the second television channel, as well as to speed up the construction of the remaining basic transmitters. This should significantly improve reception conditions.

In the CSR construction is planned of six new television transmitters, at Votice, Zdar nad Sazavou, Svitavy, Chomutov, Pacov, and at Jihlava.

In the SSR, where the signal of the second television channel has better territorial coverage, plans call for the construction of two new transmitters, at Banska Stiavnice and at Snina. Concurrently, plans call for modernizing rebroadcast stations and expanding their network.

In the field of space communications, plans call for getting ready to broadcast another television channel using satellites. In 1986-1987 the necessary facilities will be built to cover the territory of selected cities, their suburbs, and important agglomerations with this additional channel. Plans call for the construction of eight earth stations in the CSSR at existing facilities (five in the CSR and three in the SSR), which will broadcast the central television channel of USSR television in the fifth television band. A receiving system for signals in the 12 gigahertz band from satellites will provide the reception capability for these transmitters.

Plans also call for the modernization of four long distance, class I radio-relay links that were built in the Fifth 5-Year Plan. This will be done with imported equipment, and will also include a necessary expansion of their transmission capacity. At the same time, eight class II and III radio-relay links in the CSR are to be modernized and have their transmission capacity expanded, mainly with electronic equipment.

To a lesser extent work will continue on new radio-relay communications both for the distribution of signals for the newly constructed television transmitters for the second television channel, and to expand the transmission capability of the trunk telephone network, mainly at the level of the transit network. The same objective exists for the main telephone network, for telephone traffic over short distances on the tie trunk lines between peripheral and central main telephone areas [UTO].

In Prague and Bratislava the utilization is planned of class III digital radio-relay systems to handle important bunched telephone circuits in the local network.

Post Office and Philatelic/Periodical Subscription Service (PNS)

The main task of the Eighth 5-Year Plan is to continue the mechanization and automation of manual work and the sophisticated procedures involved in improving the efficiency of processing activities. To further this objective, construction and modernization projects are under way at postal and PNS facilities in locations where it is possible to achieve heavy concentration of mailed items. A related goal is to improve the quality of service offered the general public, while keeping pace with the growing volume of mailed items.

A key investment is the construction of a Central Processing Facility in the Malesice section of Prague, which is scheduled to become operational in 1991. By the end of the current 5-year plan construction or modernization will be under way at five additional collection and processing centers in the CSR (Gottwaldov, Plzen, Pardubice, Cheb, and Prerov) and one in the SSR (Presov) all of which will be fully automated.

By the end of this period 87.5 percent of the planned mechanized processing centers for letter mail (SPU-LZ) will be completed, and 58.3 percent of the mechanized processing centers for parcels (SPU-B).

In addition to the priority construction of postal processing centers, construction will continue of smaller post offices, especially in new housing projects, as part of the public infrastructure at these facilities. Plans also call for postal operations centers to be established in newly constructed telecommunications facilities, occasionally as an associated construction project. Standardized postal facilities will continue to be built in smaller communities.

Research is currently under way with organizations outside of the postal system that should result, by the second half of the Eighth 5-Year Plan, in innovative ways of paying for postage, including the gradual introduction of charging systems for the general public.

Research and Development

The main development program of the communications sector is state R&D program P-08, "Increasing the Sophistication of Telecommunications Services." This program, in turn, incorporates the results of preliminary work on state priority program A-08, "Development of Electronics Applications in Selected Sectors of the National Economy," which fall within the communications sector. It has also necessitated modifications in state priority program A-07, "Development of the Material and Technical Base for Electronization," to include selected products critical to the development of telecommunications. Program P-08 also includes tasks related to production preparation for opto-electronic equipment. State priority program A-08 includes the following applications proposals:

-- electronization and digitalization of telephone network switching equipment;

-- electronization and digitalization of telephone system transmission equipment;

-- the application of optoelectronic transmission systems in telecommunications;

-- the development and production of connectors, tools, and techniques for splicing metallic and optical cables;

-- the startup and automation of production of class IV, two-layer printed connectors.

"Preparation for Telecommunications Network Integration," a program carried over from the Seventh 5-Year Plan, will be completed in 1987. Its objective is to prepare the equipment and methodology needed for the gradual integration of the telecommunications network through the installation of digital transmission and switching equipment and modern diagnostic equipment for automated operations and service.

In 1986 work was completed on the program, "Development of a Multi-Channel TV Network in the CSSR." The objectives of this program included developing a television network for a second and third channel, using a combination of earth and satellite stations operating at 12 gigahertz to provide program coverage over 100 percent of our territory, and developing third generation television transmitters and equipment.

New tasks of the state R&D plan which are scheduled to be completed during the Eighth 5-Year Plan in the context of the P-08 program, include:

-- the development of data transmission and other telematic services (mainly data and information transmission through services such as Telefax, Bureaufax, Teletex);

-- the introduction of new satellite radiocommunications services (including a transmission system for satellite television, R&D related to professional, group, and individual receivers for satellite television, cable systems for distributing the signals from satellite television, etc.);

-- installation of a digital network to support expanded telecommunications services (to set the stage for converting the entire telecommunications system to a digital basis and for the interaction of digital and analog systems in a mixed network;

-- installation of a public data transmission network within the framework of a unified telecommunications network, to facilitate the integration of projected trends in data transmission needed by future information systems in the economy;

-- telecommunications services to meet growing national requirements;

-- develop mobile, earth-based radiocommunications services (this will facilitate the development of nonpublic networks as well as the introduction of new, public flexible earth-based services);

-- developing a public radiotelephone network (this is a very sophisticated service in advanced countries, including car telephones and links to

unified telecommunications systems with mobile equipment). This system should be compatible with others in CEMA countries;

-- introducing new services and equipment in the television transmitter network, with the objective of improving transmission quality of the second television channel and to prepare the television broadcasting network for TELETEXT, i.e., the transmission of supplementary information;

-- install the equipment to support the implementation of two sounds in the Czechoslovak television network;

-- develop modem technology, with the objective of developing modems with transmission speeds of 300 bits per second, 600/1,200 bits per second, and 1,200/2,400 bits per second.

Work on the above tasks of state R&D program P-08, is being coordinated with the Comprehensive Program of R&D Progress for the CEMA Countries Through the Year 2000 in the following priority areas:

-- the development and startup of production of a Unified Digital Information Transmission System;

-- the development and startup of production of a Unified System of Communications Engineering Equipment.

In addition to this program, the communications sector is cooperating on the program "Development, Production and Operation of a Unified Optoelectronics Equipment System."

Once these new systems have been made operational, they will bring a number of nationally important advances, including improved speed and quality of information transmission and broader availability of data and information. These involve mainly information processes for the national economy related to the introduction of computerized management systems [ASR], the utilization of free time, fuel conservation, improved political and cultural sophistication for the general public, and the like.

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'RESTRUCTURING' STAGES IN NATIONAL DEVELOPMENT DISCUSSED

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[Article by docent eng Eva Mosnova, candidate for doctor of science, Department of Philosophy, Charles University: "The Economic Mechanism: Main Objectives for Its Restructuring at a Stage of Accelerated Economic and Social Development"]

[Text]

1. Development of Economic Mechanism and Its Role in Socio-Economic Development

1.1. Development of Economic Mechanism and Its Interaction with Economic Laws

An economic mechanism is a comprehensive set of forms, techniques and tools for management which a given entity uses to manage a system of economic laws under the specific conditions of the socio-economic development of a society.[1]

An economic mechanism is a mechanism for making use of a system of economic laws. This thesis requires more explication. An economic law, in the sense of a fundamental production relationship, manifests itself in human economic activity in the form of the multiple phenomena that represent the concrete forms of its operation. These concrete forms are themselves production relationships, but at a differert level than economic laws. They are production relationships that lie immediately within the sphere of human economic activities and through which a given economic law is realized.

For instance, the economic law of distribution according to work is a fundamental production relationship that is realized in the form of wages. The wage itself is a production relationship that is further specified in other forms, such as time wages and task wages. Task wages are also further subdivided; there is a direct task wage, as well as progressive and degressive task wages, etc. Similarly the law of value "enters" the sphere of economic activity through levels of production relationships such as price in its many forms, namely wholesale price, procurement price, retail price, market price, foreign price, etc.

Analyzing the relationship between a law and its manifestation, V.I. Lenin wrote, "The basis of the phenomena which constitue the law, is the actual phenomena... a law, that is, is not outside the phenomenon, but is directly present within it."[2]

The fact that economic laws are manifested in specific forms of human economic activity explains the complexity of the system of production relations, its many levels and categories. Marx spoke in this context about secondary, tertiary, totally derived, transferred, and nonoriginal production relationships.[3]

If, then, economic laws are the foundation of the system of production relations, then production relationships or specific forms derived from these relationships constitute the external, surface level.

Specific manifestations of economic laws are always specific manifestations of their application. While economic laws are objective production relationships, the specific applications of them, i.e. the production relationships involved in human economic activities, are always the result of conscious management decisions. The managing entity always takes note of the objective basis of the production relationship when making decisions, and utilizes this foundation when implementing socio-economic objectives under the concrete conditions of social development. By using these specific manifestations of objective economic laws, changing them, dropping some and adopting others, a managing entity consciously uses the economic laws under changing conditions of the socio-economic development of society.

Specific production relationships, lying directly in the sphere of human economic activity, constitute the main structural element, the nucleus of the economic mechanism. Managing entities use these relationships to bring human economic activities into line with economic laws under given conditions of social development.

The economic mechanism is, then, the outcome of the dialectical interaction of objective conditions and subjective factors in the socio-economic development of society. This is the reason for the complexity of its theoretical analysis and the difficulty in forming and improving it in economic practice.

The structure and role of the economic mechanism are determined by the objective conditions of economic and social development. This is its objective foundation. The economic mechanism, however, does not arise automatically, autonomously, outside of conscious activities by the society. Based on scientifically proven objective conditions of socio-economic development, society consciously forms and applies the economic mechanism as a mechanism to direct human economic activities in accordance with objective conditions.

1.2. Structure of the Economic Mechanism

Applying a system of economic laws through an economic mechanism is a complicated process involving the mutual interaction of objective and subjective factors in socio-economic development.

The complicated network of ties which exists between individual economic laws and their specific manifestations are necessarily reflected in the structural complexity of the economic mechanism itself.

For the purpose of using the above definition of an economic mechanism as the basis for the remainder of this article, one can characterize its structure as a set of ties between its main components, namely the forms, techniques and tools of management.

By forms of management we mean the network of vertical and horizontal relationships which link together all economic entities, from central management offices to individual work collectives directly involved in production, into an organized, orderly system. Vertical relationships include the division of functions, authority and accountability among individual, hierarchically linked levels of management. The distribution of functions, authority and accountability within the management structure are made in line with the principle of democratic centralism, which is objectively necessary because of the public ownership of the means of production. The horizontal relationships link economic entities at the same level of management. The basis of these relationships is the national division of labor and they govern the exchange of activities and products on a national level.

Managerial forms create an organizational context for managerial processes, which are in turn implemented through the techniques and tools of management.

Management techniques are understood to be the means by which management activities are conducted, such as planning, motivating, controlling, etc. Every management technique has its own tools of management which are the resources for implementing the technique.

For instance, planning as a specific type of managerial activity is conducted by means of a set of techniques (budgeting, priority programming, standardized planning), each of which in turn is implemented with the appropriate tools (resource balances, priority programs, economic standards). Cost-accounting (khozraschet) as an aggregate technique of economic management for relatively independent organizations is implemented through tools such as prices, profits, transfer payments to the state budget, credit and interest rates, incentive wages, exchange rates, etc.

From the above it is clear that management tools are relationship categories because they are in fact made up of specific economic relationships in human economic activities. This also implies that the concrete manifestations of economic laws are also concrete manifestations of their application, which takes the form of management tools under the purposeful activity of a managing entity. It is precisely through the operation of this set of managerial tools that the system of economic laws of socialism comes into direct interaction with economic management.

Management tools include projections, resource balances, priority programs, efficiency standards, planned tasks and constraints, finance, credit,

price and wage tools, criteria and indicators for affixing value to and offering incentives for organizational economic activities, technical and economic standards, social standards, organizational standards, etc. Incorporating these tools into an organic whole is an essential prerequisite for the systematic application of economic laws.

While forms of management represent the organizational relationships in public production, management tools are essentially economic relationships. In this sense the economic mechanism can also be characterized as a set of organizational and economic relationships in national production.[4]

1.3. Role of Economic Mechanism in Socio-Economic Development

The national role of the economic mechanism stems from the fact that it is a mechanism for applying the system of economic laws under the concrete conditions of the socio-economic development of a society.

The fact that the economic mechanism is a manifestation of the dialectical interaction of objective conditions with subjective factors can also be a source of conflict between both of these factors in socio-economic development. Under certain conditions it can happen, and our experiences confirm this, that the economic mechanism comes to retard economic development rather than facilitating it. How can one explain this?

Earlier in this article it was stated that specific economic and organizational relationships that make up the economic mechanism must respect not only objective laws but also specific historical conditions under which these laws operate. If the conditions of socio-economic development change then this set of organizational and economic relationships needs to change too, in an appropriate manner.

The economic mechanism creates the economic and organizational preconditions for the development of the means of production. Its final function is to provide for the constant development of these means of production through appropriate economic and organizational relationships. If, however, the conditions for the development of the means of production change, but the economic mechanism remains static, there arises a logical conflict between production relationships and the means of production. Economic relationships, for instance, that are based on obsolete wage and price systems become an obstacle to the application of the results of R&D programs. Obsolete production organization becomes a brake on the process of nationalizing the means of production, etc.

To overcome this confict the economic mechanism must be restructured, i.e. obsolete economic and organizational forms in national production need to be replaced with newer ones that provide opportunities for the development of the means of production.

In this regard a comment made by comrade Mikhail Gorbachev, general secretary of the CPSU Central Committee, at the 27th CPSU Congress is important: "Practice has shown us the untenable nature of ideas that

under socialism there would be an automatic correspondence between production relationships and the means of production. Life is more complicated than this. Socialist production relationships indeed provide an opportunity for the means of production to develop. These relationships, however, need to be improved constantly. This means that we must constantly identify obsolete techniques and replace them with more up to date ones."[5]

Society achieves a restructuring of the existing economic mechanism through these changes in the system of production relationships that open the way for the development of the means of production. By restructuring the economic mechanism society assures a conscious application of the law of correspondence between production relationships and the sophistication and nature of the means of production.

Because of the role of the economic mecahnism in resolving conflicts between production relationships and the means of production there is a great need for scientific projections and programming of its development. Projections and programs for the appropriate reallocation of the means of production must be linked to projections and programs for the development of production relationships so that measures can be formulated and implemented in time for the improvement of the economic mechanism.

2.0. Main Objectives for Restructuring the Economic Mechanism of the CSSR

2.1. Democratic Centralism and the Restructuring of the Economic Mechanism

The 17th CPCZ Congress outlined a strategy for accelerating economic and social development through intensifying and improving the efficiency of national production. It also emphasized that the comprehensive intensification of the economy "...requires an acceleration of R&D work based on full participation in the Comprehensive Program for R&D Progress for the CEMA Countries Through the Year 2000, the implementation of effective structural changes in production, improvements in the quality of planning and management, the utilization of the economic mechanism, growing worker participation in management, and improvements in worker qualifications and initiatives."[6]

The current system of national economic management does not correspond fully to the needs and requirements of national economic intensification. This is true partly because current measures designed to improve management have remained isolated and noncomprehensive. The 17th CPCZ Congress therefore concluded that "...assuring the further dynamic growth of the national economy will require continual improvements in the system of planning and economic management, a gradual restructuring of the economic mechanism."[7]

The basis of a restructuring of the economic mechanism is the consistent application and development of the principle of democratic centralism, which demands an organic link between central national economic management and economic independence, initiative and accountability on the part of economic organizations.

"The entire management system", in the words of the 17th CPCZ Congress, "must be based on an equilibrium between the center and initiatives by lower elements. This requires working hand in hand to improve the quality of central management and planning, to strengthen the independence and accountability of enterprises."[8]

Refining the principle of democratic centralism requires new definitions of the position and role of the center and the enterprise economic spheres, as well as their inter-relationship in the capital replacement process.

Accelerating economic and social development places qualitatively new requirements above all on the functioning of central management agencies. Their key task is to concentrate on the implementation of the main objectives of the economic policy of the party, determining the growth rate and proportionality of national economic development, and seeing to the planned improvement of the economic mechanism itself. To this end the central agencies must get out of operational matters and the detailed orchestration of the activities of economic organizations.

Expanding the rights and responsibilities of economic organizations for achieving the best possible final results is directly related to their conversion to full cost-accounting, profitability and self-financing, including a direct relationship between the compensation of work collectives and the effectiveness of their work.

2.2. New Approaches to Planning

Intensifying the capital replacement process requires that the balancing of resources and their applications be achieved with minimal demands on new resource creation. This will be possible, however, only with the active participation of prices and other valuation tools on the formation of material proportions and plan tasks. We cannot be content with the current situation, in which material and capital resources are allocated mainly in terms of the material proportions of the plan, while valuational tools such as prices, finance and credit simply adapt passively to these allocation decisions and are not used in any way to force the more effective allocation of resources. The optimization of material proportions in terms of value, otherwise known as material and valuational planning, is an important attribute of an intensive type of economic mec anism.

The 17th CPCZ Congress therefore set a task of "...strengthening the role of the 5-year plan by developing and implementing uniform criteria of efficiency and improving the interrelationship of material and valuational relationships."[9]

The full implementation of the principles of democratic centralism also requires a new way for presenting the state plan to economic organizations. The practice of breaking down binding and individualized volume and material plan indicators does not provide enough opportunity for developing initiative and entrepreneurship on the part of economic

organizations, for the necessary optimization of their economic performance. In view of the fact that meeting these target indicators determines the formation of the wages payable and other funds for an economic organization, this practice tends to result in "negotiating" on the magnitude af these indicators during plan formation, or in "adjustments" to the plan during its fulfillment. This significantly reduces the interest on the part of economic organizations in compiling progressive plans.

The 17th CPCZ Congress therefore emphasized that "...the current predominant practice of setting and then breaking down volume and material indicators of the state plan must be replaced in most instances with long range and uniform standards for the relationship between resource formation and utilization, efficiency criteria and selected clearly defined direct tasks related to national priorities."[10]

The conversion to this so-called normative technique of planning will create the conditions for the active participation of economic organizations in state plan formation, without weakening in any way the role of the central sphere in planned national economic development.

An important part of the mutual relationships between the center and economic organizations will become centrally established economic standards, as tools which on the one hand will determine the allocation of available resources between the at state and economic organizations as well as governing the overall proportions of resource utilization within organizations among capital investment, R&D programs, wages, cultural and social requirements, etc,. The main economic standards will therefore include transfer payments to the state budget and regulations for the formation of financial funds of economic organizations.

It is important, moreover, that these economic standards have relatively long range applicability and be uniform throughout the economy. Only in this way can they provide the conditions for long range economic incentives for economic organizations, above all to engage in R&D programs, while also serving as a standard for comparing the performance figures of individual firms.

An essential part of the state plan are specific tasks and limits, which the center uses in day to day economic operations to assure the implementation of state priorities in areas such as the standard of living of the population, the environment, the technical and economic sophistication of certain economically significant products, obligations undertaken by the state related to the international division of labor, tasks contained in state priority programs, etc. The effectiveness of specific tasks assigned to economic organizations depends exclusively on the quantity, quality and pricing constraints imposed on them and on the establishment of marketing objectives and use guidelines for priority product groupings. The reason for constraints is to assure that resources that are in short supply are managed effectively, above all certain materials and foreign currency resources. One may also assume that in the process of returning to economic equilibrium the number of these constraints will decline.

The structure of state plan outputs, which aggregates economic standards and direct tasks, in no way implies a weakening of socialist planning. The only thing that is changing is the way this planning is implemented. The new way will correspond more fully to the needs of intensive economic development. "In this regard", Mikhail Gorbachov stated at the 27th CPSU Congress, "we should not be held back by outdated ideas and prejudices. If, for instance, it is necessary and justified to use economic standards instead of directives, this does not mean that we are deviating from the principles of planned management, only that we are altering its techniques and style."[11]

2.3 Full Cost-Accounting

Combining the tools of direct and indirect enterprise management will create the preconditions for converting all economic organizations to full cost-accounting, the chief characteristic of which is the full dependence of organizational revenues on the effectiveness with which the organization is managed. The link between revenues and enterprise performance is meant to eliminate the obstacles now facing organizations that want to include ambitious tasks into their economic plans.

Expanding the rights and responsibilities of economic organizations based on full cost accounting will extend to all of their main activities, and especially to planning and economic incentives, decisionmaking concerning effective innovational and modernizing investments, the choice of the most effective supply and marketing channels, as well as improvements in management structures.

The economic plan of an organization, consisting of specific state plan tasks as well as tasks stemming from other contracts negotiated between the organization and its suppliers and customers, will become the major tool of cost-accounting management. Contract negotiation between organizations will at the same time be regulated by centrally imposed criteria of efficiency and economic standards, price formation regulations, credit conditions, etc. Organizational plan formation, understood in this way, will increase the role of horizontal relationships in the planning process and significantly strengthen the position of end users in the capital replacement process.

The formation and implementation of organizational economic plans must be completely subordinate to efficiency criteria. This means that those organizations will be efficient which meet the needs of their customers with minimal outlays of labor. The question arises in this context of the choice of indicator which will best express the final results of enterprise activities.

Currently the predominant view of economic theoreticians is that profit (net revenue) is the best expression of organizational economic performance, because this figure takes into account both efficiency criteria, namely satisfying the needs of customers, and using capital and labor inputs effectively.

Using profit, however, as an evaluational criteria of production efficiency causes certain problems that cannot be successfully resolved solely based on its systemic integration with the other components of the economic mechanism, above all prices and transfer payments to the state budget. In this regard one must keep in mind that the magnitude of profit of an economic organization depends not only on the effort of its work collectives but also on factors such as the capital stock of the organization, its geographical location, natural conditions, etc. These objective factors underly differing labor productivity levels and therefore differences in profitability from similar levels of labor effort. This presents the thorny problem of implementing the principle of distribution according to work under differing managerial environments. One way to resolve this issue is to implement a system of payments based on resources used, capital stock, labor, natural resources, etc. that society has placed at the disposal of a given economic entity. "Adjusting" overall profits based on these socalled conditional transfer payments yields a net profit figure that is directly dependent on the level of work effort by collectives and which therefore can be used as a source for financing the developmental requirements of organizations and the final wages of their employees.[12]

2.4 Objectivizing Value Relationships

The valuational optimization of the material proportions of the plan, just as full cost-accounting, are unthinkable without objectivizing valuational tools, without making the economic content of value relationships more realistic.

Prices, which determine all other valuational relationships in the national economy occupy a key position in the set of valuational tools. The gradual objectivization of wholesale prices, therefore, is a precondition of the effective functioning of the economic mechanism. In this regard the 17th CPCZ Congress established the task of "rationalizing wholesale and procurement prices to bring them in line with socially necessary costs of production and world price levels."[13]

Price rationalization based on socially necessary costs is a basic condition of prices fulfilling their standard setting and incentive function. Without accurate prices it is impossible to identify effective and ineffective production programs, make decisions concerning innovational and structural changes or eliminating levelling in the allocation of public resources. Without them there can be no economic pressure to conserve labor or embodied labor, which in turn makes it impossible to apply R&D results efficiently to practical situations.

Respecting socially necessary labor costs means to link prices not only to producer costs but also to the economic impact that these products have for the end user. Prices of production assets which passively reflect only the evolution of costs, sometimes even the unique costs of monopoly producers, and which at the same time reduce the economic benefit to users of these assets, are not prices that support the implementation of current economic strategy. Prices that in fact cover managerial

inefficiency on the part of producers cannot be a vehicle for expanding the end user market for such products.

Prices must not only be based on the socially necessary costs of production, but must also reflect the extent to which the products in question meet both national requirements and the demand of the general public. If prices are to conform fully to the law of value, which determines price levels, they must also reflect the action of the law of supply and demand. This law governs deviations of prices from underlying values which are caused by the relationship of supplies of goods to demand for them.

The heavy dependence of our national economy on foreign economic relationships makes it essential to bring our prices into line with world price levels. These world prices should serve more and more as a standard for the maximum allowable costs for domestic producers. This is more than a matter of assuring that the prices of domestic products designated for export not be much higher than world prices for such products, but also that the prices of products for the domestic market not be any higher than the world prices of actual, or potential import substituted for those products. Without employing the standard setting function of world prices it will not be possible to impose world economic standards on domestic producers or to establish effective exports as a condition for needed imports and an equilibrated balance of payments. It will also be impossible to raise domestic labor productivity to that achieved in the industrially advanced countries. To accomplish this it will also be necessary to switch over to realistic exchange rates and to incorproate the results of foreign trade activities into the profit calculations and financial funds of economic organizations.

The practice of reallocating revenues from profitable organizations to cover the losses of poorly managed firms is in conflect with the principles of full cost-accounting, i.e. management on one's own account. This practice, as pointed out by the 27th CPSU Congress, not only undermines cost-accounting, but fosters parasitism and results in endless requests for assistance from the center. Subsidies must therefore be used exclusively to support the objectives of economic stragegy.

2.5 Conditions for the Efficient Functioning of the Economic Mechansism

The economic mechanism can function efficiently only if certain objective and subjective conditions exist. The critical subjective conditions of its effective operation is the preparedness of senior managers and worker participation in management, while the main objective factor is the existence of a comprehensive, structural balance in economic development.

In this context it is critically important to renew and strengthen the correspondence between the material and monetary aspects of the capital replacement process. This is a matter of tying the formation of monetary resources strictly to the formation of use values. In other words, the monetary resources of the state, economic organizations and the general public must have an appropriate material foundation. This will increase the stability of the purchasing power of the currency.

The economic mechanism, however, does not function automatically. It can operate only in conjunction with direct managerial work, i.e. the efforts of senior managers at all levels. These are the people that implement the economic mechanism in the specific activities of work collectives, transforming its standards into actually functioning managerial relationships. This implies, however, a need to impose more strict criteria for the selection, assignment, evaluation, and training of management personnel. An equally important precondition for the effective functioning of the economic mecahnism is to improve worker participation in management, which is the main criterion for socialist democracy.

The economic mechanism can fulfill its national function only in conjunction with motivated personnel. A fully appropriate thought in this regard concerning the growing role of the human factor in socialist society comes from the latest edition of the CPSU Program: "The successful fulfillment of the established goals of the party is linked to an increased role for people. Socialist society cannot function effectively if it does not find new ways to develop the creative activities of the masses in all areas of public life. The greater the historical objectives the more important are self-motivated, responsible, conscious and active participation of millions of people in attaining them."[14]

FOOTNOTES

1. "An economic mechanism", writes V. A. Medvedev, "is, in our opinion, a managerial subsystem of the economic system of socialism. It may be defined as a set of organizational structures of a socialist national economy, the forms and techniques of its management, consciously developed and utilized by society on the basis of economic laws modified to account for the existing operating conditions". V.A. Medvedev, Managing Socialist Production: Problems, Theory and Practice [Rizeni socialisticke vyroby: problemy, teorie a praxe] Moscow: Politizdat, 1983, p 49. Russian.

2. V.I. Lenin. Writings [SPISY], vol 38. State Pedagogical Literature Publishing House [SNPL] 1960, p 153

3. See K. Marx, Manuscripts [Rukopisy] "Grundrisse" I, Prague: Svoboda, 1971, p 63.

4. The foundation of an economic mechanism, as defined by L.I. Abalkin, are organizational and economic relationships, such as the relationships characteristic of aggregate national work. These include forms of production organization; forms of economic relationships, through which activities and products are exchanged; management structure; forms and techniques of planning and management; overall economic tools and incentives. See L.I. Abalkin: The Dialectic of a Socialist Economy [Dialektika socialisticke ekonomiky]. Bratislava, Pravda, 1984. p 243

5. RUDE PRAVO, 26 Feb 1986, p 4

6. Collection of Principle Documents of 17th CPCZ Congress [Sbornik hlavnich dokumentu XVII sjezdu KSC]. Prague: Svoboda, 1986 p 150.

7. op. cit. p 16

8. op. cit., p 16-17.

9. op. cit., p 169.

10. op. cit., p 126.

11. RUDE PRAVO, 26 Feb 1986, p 4

12. "The magnitude of profit", writes L.I. Abalkin, "depends largely on the volume of expended national resources: capital equipment and investment, bank credits and natural resources, labor. Therefore their increase cannot be exclusively the work of the collectives of a given enterprise of cooperative. This fact is often used as an argument against using profits as an evaluative criterion. All of this relates to only overall, or budgetary profits. Adjusting this profit by transfers for the resources that are utilized to achieve it gives one an accurate indicator, the magnitude of which is directly dependent on the activity of a collective and can therefore be used to evaluate the final performance of its economic activity." Abalkin, op. cit, p 217.

13. Collection of Major Documents, p 189.

14. RUDE PRAVO, 8 Mar 1986, p 4.

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IMPLICATIONS OF HUNGARIAN ECONOMIC PROBLEMS FOR POLAND VIEWED

Warsaw RYNKI ZAGRANICZNE in Polish No 55, 8 May 87 p 8

[Article by Bogda Zukowska: "The Hungarian Reform and Polish Troubles"]

[Text] In Poland Hungary appears in every discussion of economic reform sooner or later, usually as a positive example. We refer to that country's nearly 20 years of experience, closely follow the results brought about by the successive changes, and try the measures used there for our needs. This was the case with the law on joint ventures, the adaptation of domestic prices to world prices, issuing bonds, and recently with the reform of the banking system.

Unsettling News

Thus the news of the performance of the Hungarian economy this past year had to awaken greater anxiety. The plan was not met in any of the basic sectors: industry, agriculture, or foreign trade. This last category in particular "fell below the line." Several hundred million dollars more were spent on convertible-currency imports than planned. Simultaneously the value of exports fell, and as a result the foreign trade deficit was about $400 million. This first deficit in several years provoked a critical examination of the productivity of the entire economy and the effectiveness of the current mechanisms.

What actually happened? "The cumulated causes produced the cumulated effects," and my interviewees invariably began their explanations with external causes. The Hungarian economy is sensitive to the situation in world trade. It cannot be otherwise, if about 40 percent of the national income is produced by foreign trade. Enterprise performance depends on the competitiveness of their products on foreign markets and material costs calculated in world prices. But last year the prices of imported products rose and those for exports fell. This was the case, for example, for petrochemical products and especially for agricultural and food products, which bring in more than one-quarter of Hungary's convertible-currency income. Not everything, however, can be blamed on the unfavorable terms of trade.

One must admit that the Hungarians are seeking the causes chiefly in Hungary. This was reflected in the remedial measures taken. Initially, the poor

performance drew austerity measures: basic wage increases, not matched by an improvement in labor productivity, were blocked to the end of March. The implementation of the resolution on the liquidation of unprofitable enterprises was announced. Simultaneously, plans were made for significantly greater investment in technical advancement in the branches with the brightest futures.

Where the System Jams

The dilemmas of the Hungarian economy resemble those of ours--toutes proportions gardees. Production is growing, but twice as slowly as it should (1.5 percent rather than 3 percent). The point here is not to make ourselves feel better, but to draw conclusions. The first one is that in reforming its economy Hungary neglected essential mechanisms, and today they have grown into barriers limiting development.

Let us say first that in Hungary one does not hear complaints about shortages of materials, demands for "convertible-currency contribution" by subcontractors, or even grumbling about a shortage of convertible currency for essential imports. These phenomena surely occur, but they play no important role. The low labor productivity and the need to cease the use of administrative management methods have received the most attention.

At present, the compulsory tax system is one of the most bitter barriers, especially for the most visible enterprises. In very simple terms, the budget takes from the rich and gives to the poor, or simply the weak firms. Obviously, the most efficient and active lose. Everything indicates that the centrally prepared modifications aim to change this situation.

It is hard to avoid mentioning that precisely the same faults occur in our economy, and representatives of Polish and Hungarian enterprises would easily find a common language in a discussion of the current tax system. And not just about that. Independence is still understood differently "above" than it is in the enterprises themselves. Direct control is used in addition to the parametric management instruments. Economic necessity is still more of a theoretical category than an actual one in both countries. In our practice it is not always possible and not always expedient. The words "lobby" and "special interest" surely exist in the Hungarian economic dictionary.

The export orientation of the Hungarian economy, which appears in the high portion of the national income produced by foreign trade, is an undoubted achievement of the Hungarian reform. But here too the system is limping. Recently Janos Berecz, a Central Committee secretary, stated directly that foreign trade "requires a new style." Their enterprises can apply for a concession to conduct foreign trade, the exclusive rights to trade goods held by foreign trade centrals have been loosened, the bank system has been reformed (among other things in order to facilitate access to credits for development undertakings). (1) All these instruments have proven to be insufficient and frequently, as is openly stated in Budapest, they are not consistently applied.

Conditions for Entrepreneurs

Asked about the implications of the introduction of the reform of the banking system for foreign trade this year, Tamas Gacsalyi of the Ministry of Foreign Trade responds without hesitation: "That was the best thing that could have been done." This step puts the investment initiative in the hands of the enterprises themselves. The bank evaluates the economic effectiveness of the projects. Both sides are interested in the invested forints being returned as quickly as possible and beginning to produce a profit. This is what my interviewee thinks of the idea, adding that profits in convertible currencies will play a role.

The ability to implement one's own development plans and not those imposed from above is the most important element in creating a climate for entrepreneurs. Projects to modernize, save raw materials and energy, produce technological innovation, and increase exports are regarded most highly. For the exporters, old and new, the so-called competitive system is an additional stimulus. We should add that exports are also concentrated in Hungary; less than 30 percent of the enterprises exports their products.

The competitive system was introduced last year. It includes enterprises that wish to begin producing competitive goods for foreign markets. The offers are evaluated by a commission made up of representatives of, among others, the planning commission, banks, and the concerned ministries. The prize in this competition consists of credits on favorable terms, tax exemptions, and additional funds for technical advancement. The whole resembles somewhat the system of export promotion for Polish producers. In Poland, however, it is available to all, in Hungary only to those promising the best results. Now about 200 hundred firms are covered by the competitive system, and it remains a fairly exclusive club.

Foreign Advisors

In Hungary entrepreneurship is beginning to be associated with more than development programs which bring investment. The introduction of modern management methods is significantly less expensive and equally fruitful way to improve productivity. The enterprises that quickly realized this are today already making use of foreign advisors.

Today there are already a number of joint ventures (2) in this business, and "imported" managers from the United States have become sensations. It is not the positive results of their presence in the firms but the rapid tempo of change that is surprising. These American experts obviously do not work for nothing. We should add that they were brought in and financed by a special foundation created for this purpose by an American of Hungarian origin. Domestic experts on organization and management shrug their shoulders in the face of this competition from across the ocean, claiming that their methods are no worse but they need to be used. Thus the saying that no one is a prophet in his own country has proven true in countries other than Poland.

Organization and management is our economy's weak point. This is not a new insight, but specific proposed remedies, even extremely conventional ones,

have not been around. I wonder what the reaction would be if some wealthy Pole abroad turned up who was ready to import a retired manager, say from the United Statesor Switzerland, for a particular enterprise? Judging by the bureaucratic barriers that cooperation between Polonia firms and the state sector has encountered, it would be impossible. It would also immediately be mentioned that a Pole, Karol Adamiecki, was one of the creators and precursors of management and organization theory. But so what?

This last example, the inviting of foreign experts to cooperate, is the clearest example of the determination with which the Hungarians are carrying out their economic reform. This is an attitude that we frequently lack.

The range of the economic and social transformations that each socialist country attempting to reform its economy must overcome can be compared without fear of exaggeration to the "Copernican revolution." "We always claimed," Peter Medgyesse told a French journalist for L'EXPANSION in 1983, "that only large industry and great plants are productive, that only the state can effectively organize everything, that differences in individual incomes should not be allowed.... But what we are saying now contradicts these theses." The author of these words, Peter Medgyesse, has been minister of finance since 1 January 1987.

FOOTNOTES

1. We wrote more extensively about the reform of the banking system in No 14 [RYNKI ZAGRANICZNE], 2 February 1987, p 3.

2. An article in RYNKI ZAGRANICZNE No 31, 13 March 1987, p 8 covers joint ventures.

13021
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ECONOMETRIC MODEL OF POLAND'S HARD-CURRENCY DEBT

Warsaw WIADOMOSCI STATYSTYCZNE in Polish No 4, Apr 87 pp 1-6

[Article by Dr Adam B. Czyzewski, Laboratory for Statistical and Economic Research Laboratory, Main Statistical Administration, and the Lodz Regional Center of the Polish Academy of Sciences: "A Simulation Model of Poland's Hard-Currency Debt"]

[Text] Among the barriers to Poland's economic growth in the early 1980's the effect of the barrier of foreign indebtedness became particularly marked. This restricts the field of maneuver in economic policy by reducing the supply of imported raw and other materials and investment goods, which in its turn is causing disturbances in production and complicating the resolution of the existing economic tensions and disproportions.

Resolving the problems of foreign indebtedness is at present a priority task of economic policy. This task is being accomplished by forcing through the necessary adjustments of manufacturing structure so as to allow for the conditions of foreign demand and introducing changes in the operating mechanism of the national economy so as to promote institutional-systemic conditions for progress in general economic efficiency, conditions that underlie the growth in the profitability of exports.

Of major importance to resolving the problems of foreign indebtedness is the assessment of the actual and intended economic policy measures from the standpoint of their future effects on the balance of payments, with the assessment performed in several different versions conditioned on the future evolution of external factors. Such an assessment requires using appropriate model constructs which comprise in the form of mathematical formulas the relationships among the variables characterizing the operation of the national economy in the domain of foreign trade (with the variables relecting the influence of external factor), and elements of the balance of payments. (Footnote 1) (Models of this kind, with varying degree of detail in the description of the balance of payments, have already been designed in several domestic academic and research centers, e.g., at the Institute of Economic Cycles and Foreign-Trade Prices, the PAN [Polish Academy of Sciences] Institute of Economic Research, and at the Institute of the National Economy.)

The purpose of the present article is to present a simulation model of Poland's hard-currency indebtedness that was constructed at the Lodz Regional Center of the Statistical and Economic Research Laboratory of the Main Statistical Administration and the Polish Academy of Sciences. This model was designed as a reference tool for a preliminary analysis of different scenarios of changes in Poland's hard-currency indebtedness during the years 1986-1995, corresponding to the traditional growth paths of a small number of variables reflecting the general picture of the operation of the Polish economy in the domain of foreign trade as well as the effects of the principal foreign factors. The model was programmed in Basic language and installed in an IBM PC XT computer. (Footnote 2) (The program was composed by Z. Wasilewski of the Institute of Econometrics and Statistics, Lodz University.)

Main Characteristics of the Model

The scope of the model's subject matter corresponds to the structure of the balance of payments reckoned in currencies of the capitalist countries and adjusted to United States dollars. The model allows for the evolution of those elements of the balance of payments which are of basic importance to longterm changes in the level of hard-currency indebtedness. Accordingly, calculations of current trade turnover distinguish between:

A1. Balance of goods trade (the variable BTP), explained by:

- -- hard-currency revenues from goods exports (the variable ENP),
- -- hard-currency payments for goods imports (the variable MNP).

A2. Balance of trade in services and transfers (the variable BSVTP).

A3. Cost of received medium- and long-term credit (the variable INRD).

A4. Balance of current trade: BCA = BTP+BSVTP-INRD.

In operations with principal the following items are distinguished:

B1. Received long- and medium-term credit:

- -- utilization (the variable FC),
- -- repayments (the variable RCCD).

B2. Refinancing credit:

- -- utilization (the variable FCRF),
- -- repayments (the variable RCRFD).

The remaining items in the balance of payments, which matter from the standpoint of the short term, were excluded from the analysis.

In its present form, the model of hard-currency indebtedness does not describe the functioning of the national economy in the domain of foreign trade; rather, it merely allows for certain aspects of its functioning. These assumptions pertain to:

-- growth rate of the volume of generated national income (the variable TX),

-- value of the revenue flexibility (supply) of goods exports (volume) to Payments Area 2 ["capitalist countries"] (the variable ENEL),

-- value of the revenue flexibility (demand) of goods imports (volume) from Payments Area 2 (the variable MNEL),

-- rate of changes in the value of the balance of trade in services and transfers in Payments Area 2 (the variable TBSV),

-- growth rate of the volume of goods exports to Payments Area 1 ["socialist countries"] (the variable TES),

-- growth rate of the volume of goods imports from Payments Area 1 (the variable TMS).

The model's user specifies the values of these variables for successive years of the 1986-1995 period. The last two assumptions do not affect the level of hard-currency indebtedness [since they do not pertain to hard currencies], but merely serve to calculate the resultant growth rate of the volume of distributed national income. The effect of external factors on the level of hard-currency indebtedness was considered by means of the assumptions specifying:

-- the rate of changes in hard-currency prices of goods imports from Payments Area 2 (the scalar TPMN),

-- the rate of changes in the "terms of trade" [English in the original] in Payments Area 2 (the scalar TTOT). (Footnote 3) (This assumption indirectly reflects the effect of pro-effectiveness factors on foreign trade.)

The above assumptions, together with the initial input values of the levels of their corresponding variables (values as of 1985) define the elements of items A1 and A2 in current-trade accounting for the successive years of the period analyzed. The initial data on goods exports and imports, the balance of services and transfers, and the levels of indebtedness to Payments Area 2 (reckoned in United States dollars) are taken from the statistics of Narodowy Bank Polski. At the same time, in order to calculate the dynamics of distributed national income, initial values (1985) were based on data on exports and imports of goods and material services (separately for each payments area), taken from figures on national income (in zlotys). The calculations are based on 1985 constant prices).

Servicing the debt consists in the on-schedule payments on interest and principal. Delays in making these payments cause arrears to arise and accrue, and this in its turn may both raise the level of indebtedness (arrears in

payment of interest) and change its structure (the share of refinanced debt and/or arrears of debt increases). In view of the higher cost of the servicing of refinancing credit and the higher (by way of penalty) payments on the interest and principal that are in arrears (not included in agreements on refinancing), levels of indebtedness in the model are reckoned so as to allow for corresponding differentiation in interest rates,as illustrated in Table 1.

Table 1. Breakdown of Indebtedness by Kind of Credit and Punctuality of Installment Payments on the Principal

Kind of Credit	Promptness of Payments on the Principal		Total on Line
	Prompt	In Arrears	
Long- and medium-term credit	--	--	--
Refinancing credit	--	DBRFL	DBRF
Sum total in rubric	DBCT	DBDL	DEBT

The fields of the table incorporate the symbols of the variables used in the model to denote the states of given kinds of indebtedness at year end. The symbols identify the different kinds of indebtedness which are explicitly described in the model. The states of indebtedness of the remaining kinds can be readily reproduced on the basis of information on the values of the variables (of indebtedness) derived from the solution of the model. Total indebtedness (denoted by the symbol DBTOT) is the sum total of credit debts (DEBT) and the cumulative value of arrears in payments of interest (DLINT). (Footnote 4) (It is assumed that the level of these arrears at the end of the year preceding the simulation period equals zero (DLINT/1985 = 0)).

$$DBTOT = DEBT + DLINT \tag{1}$$

The rates of interest corresponding to different kinds of indebtedness were differentiated by incorporating surcharges reflecting the higher costs associated with the servicing of refinanced debt (the surcharge SPRR) and of arrears of debt (the surcharge FINT). The interest rates payable on the arrears are augmented with the surcharge PRLI. These surcharges are added to the basic interest rate for long- and medium-term credit, denoted by the symbol RINT. The values of the interest rate RINT and the surcharges SPRR, FINT, and PRLI are determined (assumed) by the model's user. Assuming that SPRR = FINT = PRLI = 0. This means that the interest rate on the entire debt is RINT. Differentiating the surcharges results in that the model allows for five different interest rate levels for the kinds of indebtedness singled out. The interest rates on credit indebtedness are presented in Table 2.

Table 2. Differentiation of Interest Rates on Credit Indebtedness

Kind of Credit	Promptness of Payments on the Principal: Prompt	In Arrears
Long- and medium-term credit	RINT	RINT+FINT
Refinancing credit	RINT+SPRR	RINT+FINT+SPRR

The interest rate on arrears equals RINT + PRLI.

The current interest payable in a given year is reckoned as the sum of products of the states of indebtedness differentiated in the model (at the end of the preceding year) and their corresponding interest rates. Following appropriate adjustments resulting in the elimination of the variables (kinds of indebtedness) not described by the model, we derive:

$$\mathrm{INRD} = [\mathrm{RINT} \times \mathrm{DEBT}(-1) + \mathrm{SPRR} \times \mathrm{DBRF}(-1) + \mathrm{FINT} \times \mathrm{DBDL}(-1)]/100 + (\mathrm{RINT} + \mathrm{PRLI}) \times \mathrm{DLINT}(-1)/100 \qquad (2)$$

Differentiating the interest rates on indebtedness owing to its structure results in that the average annual interest rate for the entire indebtedness (AVRINT), defined as the quotient of the interest payments due (INRD) and the state of indebtedness at the end of the preceding year (DBTOT(-1)),

AVRINT = [I[illegible]TOT(-1)] x 100 (3)

is an endogenou[illegible]able of the model and depends on changes in the structure of indebtedness. This feature of the model distinguishes it from other previously constructed and used models of Poland's hard-currency indebtedness.

Reckoning the arrears in payments on the principal during future periods requires incorporating in the model information on the rates repayable during the successive years of the simulation period (1986-1995) and prioritizing various kinds of payments. Information on the schedule of repayment of long- and medium-term credit as well as of refinancing credit, that is, on repayments of the principal due during the successive years of the 1986-1995 period, is incorporated in the model "permanently" in the form of two 10-element vectors whose elements are denoted by the symbols:

RCCDA -- long- and medium-term credit installments,

RCRFD -- refinancing credit installments.

In the course of solving the model, the input information on the "repayments schedule" is updated. Updating the repayments of long- and medium-term credit that fall due is accomplished by the exogenous method. By specifying appropriate values of the FC variable, the model's user is enabled to introduce in the model information on the utilization of new credit during the successive years of the simulation period. This information must be accompanied by feeding in assumptions on repayment terms (waiting period,

number and size of installments), which will be incorporated in the model in the form of the 10-element vector RCFCA which comprises only the payments falling due during the years 1986-1995. The components of that vector, when added to corresponding components of the output repayments schedule (RCCDA), define the actual payments schedule RCCD:

$$RCCD = RCCDA + RCFCA \tag{4}$$

Assumptions of the variables FC and RCFCA are introduced for the entire simulation period before commencing to solve the model.

Decisions on the level of utilization of refinancing credit (FCRF) and on the schedule for its repayment over successive future periods are automatically taken in the course of the solution of the model. The balance of goods trade (BTP) and of trade in services and transfers (BSVTP), augmented by the utilization of new long- and medium-term credit (FC), defines the initial availability of payment funds for servicing the indebtedness, which is confronted with the interest payments due (INRD) and the payments on the principal due (RCCD + RCRFD). The difference between current payments and the initial availability of payment funds determines (when it is greater than zero) the maximum level of utilization of refinancing credit. (Footnote 5) (If the difference is minus, the maximum level of utilization of refinancing credit equals zero.) The actual utilization of refinancing credit occurs in the part corresponding to the assumed refinancing rate RRF:

$$FCRF = (RRF/100) \times (RCCD-RCRFD-BTP-BSVTP-FC) \tag{5}$$

The level of the refinancing rate RRF is determined by the user for all the periods of the simulation before commencing to solve the model (RRF = 0 means absence of refinancing during a given period, while RRF = p means refinancing in the amount of p% of the maximum level of utilization of refinancing credit).

Repayment of refinancing credit occurs after a 5-year waiting period, and is made in three equal annual installments (FCRF/3). The amount of these installment payments augments the corresponding elements of the output schedule of repayment of refinancing credit:

$$RCRFD(i+5) = RCRFD(i+5)+FCRF/3 \qquad i = 0,1,2 \tag{6}$$

The value of the received refinancing credit complements the initial availability of payment funds for servicing indebtedness in a given year. The overall availability of payment funds in the model is defined as follows:

$$PAYAB = BTP+BSTVP+FC+(100-PRV) \times FCRF/100 \tag{7}$$

PRV is the commission rate payable at the moment of conclusion of the agreement for refinancing. The amount of that rate is determined exogenously by the model's user. The value of the variable PAYAB limits in advance the sum total of payments made in a given year.

Calculating the changes in indebtedness levels, which is the essence of this procedure, of the solution of the model, requires, in addition to the information on the schedule of repayments of the principal, the adoption of specific rules for the utilization of the total available payment funds for servicing the indebtedness, that is, it requires determining the sequence and size of the actual payments on interest and principal, both those made on schedule and those in arrears. In the model it is assumed that the payments are made in the sequence given below and in a manner such that the amount of repayment of a given kind of obligation equals the smaller of two quantities -- the total amount of the obligation and the available funds remaining after obligations with higher priorities are repaid. The following sequence (prioritization) of payments was assumed:

1) current interest payments (up to INRD),

2) current rates of refinancing credit (up to RCRFD),

3) arrears in interest payments (up to DLINT(-1)),

4) current installment payments of long- and medium-term credit (up to RCCD),

5) arrears in installment payments of refinancing credit (up to DBRFL),

6) arrears in installment payments of long- and medium-term credit (up to DBDL(-1)-DBRFL(-1)).

The balance of the available payment funds that remains (if any at all) after the obligations are fully paid up, equals

$$SURP = \max(0, PAYAB-[INRD+RCRFD+DLINT(-1)]+RCCD+DBDL(-1)) \tag{8}$$

and it augments the initially available payment funds for the following year. (Footnote 6) (These available funds equal BTP, BSVTP, FC, SURP(-1). In view of the practically zero value of SURP, we did not include that variable in Eqs. (5) and (7), although it is present in their counterparts in the proposed model in the computer.)

The procedure for solving the model is closed by equations of states of indebtedness according to the kinds of indebtedness distinguished. These equations define the state of indebtedness (at year end) as the state of indebtedness (at the end of the previous year) minus the payments made but plus the utilization of new credit (on-schedule indebtedness) or plus arrears that may arise (unpaid interest, unpaid installments of the principal).

The model of Poland's hard-currency indebtedness affords the possibility of adjusting the states of indebtedness (reckoned in United States dollars) for changes in the rates of exchange of the following hard currencies: the West German mark (CHDM), the Swiss franc (CHSF), the French franc (CHFF), the Austrian schilling (CHAS), and the British pound (CHBP), in relation to the United States dollar. The values of the variables CHDM, CHSF, CHFF, CHAS, and CHBP, which reflect in percent the relative annual changes in the rates of exchange of these currencies in relation to the United States dollar, are fed

in by the model's user. The correction is not complete, because it does not allow for the hard-currency structure of turnover of interest and principal during a given year. A consideration of these elements would require a marked expansion of the model.

Formal Structure of the Model. Basic Relationships

The algorithm of the model of Poland's hard-currency indebtedness is a recursive system of equations-definitions, sovled successively over 10 years (here: 1986-1995). The system of the model's equations can be conventionally divided into three packets. The first packet serves to calculate, on the basis of variables-assumptions of the model, the values of the endogenous variables defining the overall availability of funds for servicing indebtedness in a given year. The variables of indebtedness and the basic equations of that packet were presented in the preceding Section. It should be emphasized that, in its present form, the model does not describe the functioning of the national economy in the domain of foreign trade and hence it is up to the model's user to evaluate the admissibility and mutual consonance of the adopted assumptions. (Footnote 7) (A convenient tool for formulating the assumptions of the indebtedness model is the econometric model of functioning of the national economy.)

The second packet of equations, which constitutes the essence of the model, contains equations defining the dimensions of the payments made to repay specified types of obligations, as well as equations of states of indebtedness in breakdown by kind of indebtedness (Table 1). These equations describe:

Interest payments (INR)

$$INR = \min\{PAYAB, INRD\} \tag{9}$$

Current repayments of refinancing credit (RCRF)

$$RCRF = \min\{PAYAB-INR, RCRFD\} \tag{10}$$

Payments of arrears in interest (ROIN)

$$ROIN = \min\{PAYAB-INR-RCRF, DLINT(-1)\} \tag{11}$$

Current repayments of long- and medium-term credit (RCC)

$$RCC = \min\{PAYAB-INR-RCRF-ROIN, RCCD\} \tag{12}$$

Arrears in repayment of refinancing credit (RCRFL)

$$RCRFL = \min\{PAYAB-INR-RCRF-ROIN-RCC, DBRFL(-1)\} \tag{13}$$

Arrears in payment of long- and medium-term interest (RCCL)

$$RCCL = \min\{PAYAB-INR-RCRF-ROIN-RCC-RCRFL, DBDL(-1)-DBRFL(-1)\} \tag{14}$$

Current payments on principal, inclusive (RC)

$$RC = RCRF + RCC \tag{15}$$

Arrears in payments on principal , inclusive (RDDL)

$$RDDL = RCRFL+RCCL \quad (16)$$

State of arrears in interest payments (DLINT)

$$DLINT = DLINT(-1)-ROIN+INRD-INR \quad (17)$$

State of indebtedness, without arrears in interest payments (DEBT)

$$DEBT = DEBT(-1)-RC-RDDL+FC+FCRF \quad (18)$$

State of total indebtedness (DBTOT)

$$DBTOT = DEBT+DLINT \quad (19)$$

State of indebtedness due to refinancing credit (DBRF)

$$DBRF = DBRF(-1)-RCRF-RCRFL+FCRF \quad (20)$$

State of arrears in refinanced indebtedness (DBRFL)

$$DBRFL = DBRFL(-1)-RCRFL+RCRFD-RCRF \quad (21)$$

State of arrears in indebtedness, total (DBDL)

$$DBDL = DBDL(-1)-RDDL+RCD-RC \quad (22)$$

The third packet contains equations correcting the state of indebtedness for changes in the exchange rates of hard currencies as well as equations defining the "diagnostic" variables characterizing the degree of the debt-servicing burden on the economy. The contents of this packet (in the part relating to the diagnostic variables) can be adapted to the needs of the model's user.

The model's algorithm in the form of a program written in BASIC was installed in an IBM PC XT. Information on the values of the variables--assumptions of the model for successive years of the simulation period (10 years) was fed in via the keyboard. (Footnote 8) (The assumptions relating to the variables -- vectors TBSV, TES, and TMS -- which denote respectively the pace of changes in the balance of trade in services and transfers with Payments Area 2, and the growth rate of the volume of the exports and imports of goods and material services to and from Payments Area 1 --- are elements of the program and cannot be revised from the keyboard once the program is turned on.) These variables can be formally divided into two groups (Table 3):

-- vectors (6 variables) -- the possiblity of varying the values of the same variable in successive years (10 values);

-- scalars (12 variables) -- the same value of a variable in successive years.

Table 3. List of Variables-Assumptions of the Model of Poland's Hard-Currency Indebtedness

Symbol of Variable	Explanation	Unit of Measurement	Type of Variable
TX	Generated national income	Rate, %	Vector
ENEL	Revenue flexibility of exports, Payments Area 2	--	Vector
MNEL	Fevenue flexibility of imports, Payments Area 2	--	Vector
RRF	Refinancing rate (9-100)	%	Vector
FC	Utilization of long- and medium-term credit	US$billion	Vector
RCFCA	Schedule of repayments of new long- and medium-term credit	US$billion	Vector
TTOT	Terms of trade, Payments Area 2	Rate, %	Scalar
TPMN	Price index of goods imports, Payments Area 2	Rate, %	Scalar
RINT	Interest rate	%	Scalar
SPRR	Extra interest on refinancing credit	%	Scalar
FINT	Extra interest on arrears in payments on principal	%	Scalar
PRLI	Extra interest on arrrears in payments of interest	%	Scalar
CHDM	Rate of exchange of the West German mark	Rate, %	Scalar
CHSF	Rate of exchange of the Swiss franc	Rate, %	Scalar
CHAS	Rate of exchange of the French franc	Rate, %	Scalar
CHBP	Rate of exchange of the British pound	Rate, %	Scalar

After the assumptions are introduced, the program performs calculations for the entire period (10 years). The results of the calculations are comprised within 6 tables (each containing the values of 7 variables of the model for successive years of the simulation period) and shown on the monitor. If so desired, each table can be printed out. The calculational process, inclusive of the time needed to feed in the assumptions and show them on the monitor (or print them) takes about 5 minutes. If so desired, the program prepares diagrams of the endogenous variables of the model.

Analysis of Scenarios of Changes in Indebtedness

The model of Poland's hard-currency indebtedness makes it possible to rapidly obtain an answer to the question formulated as follows: what changes in indebtedness and basic elements of the balance of payments are likely to occur within the next 10 years if the functioning of the national economy with respect to foreign trade and the changes in internal conditions during that period were to correspond to the adopted assumptions? The question concerning the conditions for the verisimilitude of the adopted assumptions will be left unanswered for the present.

The simulation experiments described below, as conducted with the aid of the model, are in the nature of neither projections nor forecasts. Their purpose is to indicate the directions of desired changes in the functioning of our economy so as to promote resolving the debt problem. That is why we are not analyzing in detail the results of discrete experiments and instead we focus on their mutual comparison. Until the problem of assessing the realism of the assumptions is considered, the question of how high our debt will be in 5 or 10 years cannot be answered.

The selection of assumptions with a sufficiently high likelihood of verisimilitude that would justify terming the corresponding solutions projections or forecasts is a difficult task and requires comprehensive studies based on a broad range of auxiliary instruments (formal models forecasting structural changes in the economy and its external surroundings) and opinions of experts.

Before formulating the scenarios presented in Table 5 we carried out a series of simulation experiments with the object of determining the sensitivity of the model's solution to changes in discrete assumptions. The results of these experiments are presented in Table 4. Both tables have the same format. Explanations of the symbols denoting the variables are presented in Table 3. The results were described with the aid of the following characteristics:

TEN -- growth rate of the volume of goods exports to Payments Area 2;

TMN -- growth rate of the volume of goods imports from Payments Area 2;

IMPEL -- import flexibility of exports to Payments Area 2;

TMNX -- rate of changes in the capacity of generated national income for imports from Payments Area 2;

TXV -- growth rate of distributed national income;

BCA(t) -- balance of current trade with Payments Area 2 (value in year t, in billions of US$);

BCA = 0, year -- the first year with a positive balance of current trade with Payments Area 2, the symbol ¯ denotes a constant declining trend of BCA;

INRD(t) -- interest payments due in the year t, in % of the value of goods exports to Payments Area 2;

DBTOT(t) -- indebtedness to Payments Area 2 at end of year t in % of the level of indebtedness in 1985;

DLINT(t) -- value of arrears in interest payments, in % of value of indebtedness to Payments Area 2 in year t;

AVRINT(t) -- average interest on aggregate debt in year t, in %.

The rubrics in Table 4 contain the basic solution anjd the results of 12 successive simulations. The assumptions for each simulation differ from the set of assumptions for the base solution only in the specified -- in the corresponding field of the rubric -- value. In two instances more than one assumption was changed simultaneously: in the simulation (TPMN-) both the price dynamics and the basic interest rate were changed, because changes in these quantities are generally interrelated; in the simulation (CHARGE) the levels of surcharges on the interest rate were simultaneously reduced.

Table 4. Values of the Solution for Changes in Discrete Assumptions*

1) Zmienne	2) Rozwiązanie bazowe	TX+	TX-	ENEL-	ENEL+	MNEL-	MNEL+	TTOTO	TTOT+	TPMN-	TPMN+	RINT-	CHARGE
							3) Założenia						
TX	3	3,5	2,5										
ENEL	1,5			1,25	1,75								
MNEL	1,2					1,0	1,3						
TTOT	−0,5							0	0,2				
TPMN	4,5									2,5	3,5		
RINT	7									6,5		6	
SPRR	2												1,5
FINT	3												1,75
PRLI	3												2,0
							4) Wyniki						
TEN	4,5	5,25	3,25	3,75	5,25	4,5	4,5	4,5	4,5	4,5	4,5	4,5	4,5
TMN	3,6	4,2	3,0	3,6	3,6	3,0	3,9	3,6	3,6	3,6	3,6	3,6	3,6
IMPEL	1.25	1.25	1.25	1.04	1.46	1.5	1.15	1.25	1.25	1.25	1.25	1.25	1.25
TMNX	0,58	0,68	0,49	0,58	0,58	0	0,87	0,58	0,58	0,58	0,58	0,58	0,58
TXU	2,7	3,2	2,2	2,8	2,6	2,7	2,8	2,7	2,7	2,7	2,7	2,7	2,7
BCA (1986)	−0,702	−0.686	−0,718	−0.747	−0,657	−0,673	−0.716	−0.670	−0.658	−0.585	−0.689	−0.418	−0.565
BCA (1995)	+0.319	+0.864	−0,175	−1,000	1,767	1.169	−0.109	+1,318	+1.737	−0.084	+0.759	+1.024	+1.129
BCA = 0, Rok 5)	1994	1993	po 1995	–	1991	1992	po 1995	1992	1991	po 1995	1993	1991	1991
INRD (1986)	40.3	40,0	40.6	40.6	40.0	40.3	40.3	40.1	40.0	38.8	39.9	35.8	38.1
INRD (1995)	27.6	24.5	30.8	32.9	22.4	25.5	28.5	23.9	22.5	32.2	24.1	22.2	21.4
DBTOT MAX	112.9	109.3	118.6	130.2	106.7	108.2	117.7	107.8	106.7	113.9	110.2	103.9	106.2
DBTOT (1995)	111.6	104.2	118.6	130.2	91.8	99.7	117.7	97.9	92.2	[illegible]	105.7	95.2	96.9
DLINT (1995)	11.6	9.2	15.7	23.1	7.3	8.2	15.0	7.9	7.3	12.2	9.7	4.0	6.3
AVRINT (1986)	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.4	8.9	7.9	8.4
AVRINT (1995)	11.4	11.4	11.3	11.2	11.4	11.4	11.3	11.4	11.4	10.9	11.4	10.5	3.9

Key: 1) Variable; 2) Basic Solution; 3) Assumptions; 4) Results; 5) Year

*Assuming that TBSV = 6%, TES = 5.5%, TMS = 4% (these variables denote, respectively: growth rate, balance of trade in services and transfers with Payments Area 2, and growth rate of the volume of exports to and imports from Payments Area 1).

Analysis of the results derived leads to the following conclusions:

1) The solution of the model is extremely sensitive to revenue changes in the flexibility of exports and imports (favorable reaction in ENEL+ and MNEL- experiments, and unfavorable reaction in ENEL- and MNEL+ experiments), with the reaction to the change in the revenue flexibility of exports being more explicit. For example, a comparison of the results of the simulations (ENEL+) and (MNEL-) indicates that given a nearly identical level of the flexibility of imports and exports (1.46 and 1.5), the higher revenue flexibility of exports causes the balance sheet of current trade to become balanced 1 year earlier for MNEL-1 and 3 years earlier in relation to the basic solution, and

Indebtedness in 1995 for the (ENEL+) experiment is 8.2 percent lower than in 1985, and for the (MNEL-) experiment, only 0.3 percent lower. Another favorable aspect of the (ENEL+) simulation is that the more rapid repayment of indebtedness is accompanied by a growing import capacity.

2) The solution of the model is sensitive to changes in terms of trade (TTOTO- and TTOT+ experiments). It should be emphasized that in the current situation terms of trade are largely determined by trends that are independent of the internal processes in the economy. A lasting improvement in terms of trade can be caused only an increase in the share of high-quality processed goods in exports to the countries of Payments Area 2, which depends on the success of pro-effectiveness and pro-export changes in the operating mechanism of the economy.

3) The solution of the model reacts rather weakly to changes in the growth rate of national income (experiments TX+ and TX-).

4) A decline in the interest rate associated with the lower dynamics of prices in foreign trade (TPMN-) does not result in improving the balance of payments.

The conclusions ensuing from this analysis of the results of simulation experiments served to formulate pessimistic, optimistic, and moderate variants of the assumptions of Poland's hard-currency indebtedness (Table 5).

Table 5. Sample Scenarios Of Changes In Poland's Hard-Currency Debt 1986-1995

Variable	P1	P2[a]	P3[a]	P4[b]	01	02	03	04	05[c]	06[c]	U1
TX	3.0	3.0—3.5	3.0—3.5	3.0—3.6	3	3	3.5	3.5	3.0—3.6	3.0—3.2	2.5
ENEL	1.25	1.25	1.25	1.5	1.5	1.5	1.5	1.5	1.5—1.7	1.5—1.7	1.5
MNEL	1.2	1.2	1.2	1.2—1.8	1	1	1	1	1.2—1.5	1.2—1.5	1
TTOT	-0.5	-0.5	-0.5	-0.5	0	0	0	-0.5	-0.5	-0.5	-0.5
TPMN	3.5	4.5	5.5	4.5	5.5	5.5	4.5	3.5	4.5	4.5	4.5
RINT	7	7	7	7	6.5	7	7	7	7	7	7
SPRR	2	2	2	2	2	2	2	2	2	2	2
FINT	3	3	3	3	3	3	3	3	3	3	3
PRLI	3	3	3	3	3	3	3	3	3	3	3
TEN	3.75	3.75—4.38	3.75—4.38	4.5—5.4	4.5	4.5	5.25	5.25	4.5—6.12	4.5—5.44	3.75
TMN	3.6	3.6—4.2	3.6—4.2	3.6—6.5	3	3	3.5	3.5	3.6—5.4	3.6—4.8	2.5
IMPEL	1.04	1.04	1.04	1.25—0.83	1.5	1.5	1.5	1.5	1.25—1.13	1.25—1.13	1.5
TMNX	0.58	0.58—0.68	0.58—0.68	0.58—2.78	0	0	0	0	0.58—1.74	0.58—1.55	0
TXU	2.8	2.8—3.3	2.8—3.3	2.7—3.5	2.7	2.7	3.1	3.1	2.7—3.3	2.7—2.9	2.2
BCA (1986)	-0.759	-0.747	-0.735	-0.702	-0.487	-0.628	-0.620	-0.639	-0.702	-0.702	-0.694
BCA (1995)	-1.291	-0.778	-0.449	-1.646	+3.152	+2.810	+3.008	+2.511	+0.711	+0.401	0.488
BCA = 0. Rok	~	po 1995	po 1995	~	1989	1990	1990	1990	1993	1994	1994
INRD (1986)	41.0	40.6	40.2	40.3	37.5	39.7	39.8	39.6	40.3	40.3	40.6
INRD (1995)	37.0	30.6	23.9	28.6	16.3	18.6	18.5	18.9	23.3	25.1	29.1
DBTOT MAX	134.7	127.0	122.5	134.6	103.2	105.1	104.8	105.6	110.6	112.0	111.5
DBTOT (1995)	134.7	127.0	122.5	134.6	67.9	77.9	75.0	82.2	106.5	110.2	109.0
DLINT (1995)	25.7	18.6	15.5	21.8	2.1	6.0	4.8	6.8	5.1	6.1	10.5
AVRINT (1986)	8.9	8.9	8.9	8.9	8.4	8.9	8.9	8.9	8.9	8.9	8.9
AVRINT (1995)	11.2	11.2	11.2	11.1	10.9	11.4	11.4	11.4	11.3	11.3	11.4

Key for Table 5:
a) Taking into account credits from 1987-1989 (US$0.33 billion per year) resulting in an increase of the rate of national income growth beginning in 1988.
b) Taking into account credits from 1987-1989 (US$0.5 billion per year) resulting in an increase in the rate of national income growth and income elasticity of imports begiining in 1988.
c) Taking into account credits from 1987-1989 (US$0.5 billion per year) resulting in an increase of the rate of national income growth and growth in the income elasticity of exports and imports beginning in 1988.
In all the scenarios, the balance of services and transfers in the second (hard-currency) payments zone increases by 6 percent annually, and the volume of exports and imports of goods in the first (nonconvertible currencies) payments zone increases annually by 5.5 percent and 4 percent, respectively.

The pessimistic scenarios (P1, P2, P3, and P4) anticipate a deterioration in foreign trade below the level presented in the basic solution. This manifests itself in the implied -- in the assumptions -- low levels of import flexibility of exports to Payments Area 2 and a concurrent growth in the import absorbability (imports from Payments Area 2) of the national income.

Scenario P1 additionally postulates lower dynamics of prices in foreign trade, which, together with an unfavorable trend in terms of trade, is bound to result in a systematic growth in indebtedness throughout the period under analysis, reaching at the end of 1995 a level that is 35 percent higher than the state of indebtedness in 1985 (in the basic solution, the indebtedness at the end of the simulation period is 11.5 percent higher than its original 1985 level). The growth in indebtedness is due to the growth of arrears in interest payments (in 1995 they are to account for 25.7 percent of total indebtedness). Scenarios P2 and P3 assume the utilization of new credit during 1987-1989, amounting to US$0.33 billion annually. These scenarios result in accelerating, as of 1988, the growth rate of national income without, however, changing the quantity characterizing the effectiveness of foreign trade, namely, the import flexibility of exports. A comparison of the scenarios P2 and P3, which differ only in the dynamics of hard-currency prices, confirms the thesis of the favorable effect of a higher dynamics of hard-currency prices on the balance of payments. A comparison of scenario P2 with the basic solution indicates that an acceleration in the growth rate of national income in the presence of a low effectiveness of trade with Payments Area 2 (IMPEL = 1.04) affects the balance of payments adversely. In scenario P4 credit utilization is higher (US$0.5 billion annually) and the revenue flexibility ratio of exports to imports is more advantageous than in scenarios P2 and P3. The positive effect of the acceleration (as of 1988) of the growth rate of the economy on the balance of payments is diluted by the marked increase in the import absorbability of national income and, as a result, the payments situation of the economy developing in accordance with scenario P4 in 1955 is close to that implied by scenario P1. The indebtedness tends to steadily increase.

The optimistic scenarios (01--06) reflect the conviction that only improvements in efficiency of foreign trade, based on streamlining the performance of the overall economy, can contribute to solving the debt problem. An economy characterized by a high revenue flexibility of exports (to

Payments Area 2) in the presence of a constant import absorbability (imports from Payments Area 2) has a chance, given an annual growth rate of 3-3.5 percent, to reduce its indebtedness in 10 years by 20-30 percent (depending on the evolution of hard-currency prices and interest rates). A comparison of scenarios 03 and 04 with scenario 02 shows that the effect of an economic growth rate that is 0.5 higher annually can be completely offset by unfavorable terms of trade (scenario 04) or lower price dynamics (scenario 03). The utilization of new credit is advantageous to the economy if the acceleration of growth rate is accompanied by much higher dynamics of exports compared with imports (scenarios 05 and 06).

The moderate scenario (01) shows that even a low growth rate of national income provides the conditions for curbing the growth in indebtedness so long as a high ratio of the growth rate of exports to Payments Area 2 to imports from that area is maintained.

The presented results of simulation experiments with the model of Poland's hard-currency indebtedness warrant, in our opinion, formulating the following general conclusions:

1. Halting the growth of indebtedness with the aid of indigenous economic resources during the next 10 years is feasible.

2. A prerequisite for curbing the growth of indebtedness is to continually maintain the ratio of the growth rate of exports to the growth rate of imports at a level much higher than unity.

3. Intensifying exports as a way of meeting this prerequisite is greatly superior to restricting imports.

4. The utilization of foreign credit helps cope with the growth of indebtedness if effective mechanisms for the intensification of exports operate in the economy.

5. The increase in the share of highly processed products in overall exports depends on a marked improvement in the quality of production and affords a possibility for economically influencing (through higher prices obtained in exports) the terms of trade. This factor markedly affects the level of indebtedness.

Both the causes of the growth in indebtedness and the forces capable of halting this process originate from changes in the operating mechanism of the national economy. Hence, the problem of indebtedness cannot be considered in isolation from domestic economic problems. Constructing a model of Poland's hard-currency indebtedness makes it possible to replace the assumptions -- characteristics of the economy's functioning in the domain of foreign trade -- with a correspondingly constructed model of the national economy accounting for these characteristics. Work to expand the indebtedness model in this direction has already commenced.

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BRIEFS

FREUD'S WORK, SIGNIFICANCE MENTIONED--Among interesting exhibits of the Municipal Museum in the Moravian town of Pribor is a hall dedicated to the memory of Sigmund Freud, the Austrian physician and psychologist, the founder of psychoanalysis and a man who left a distinct mark on sciences, literature and arts of the first half of the 20th century. [After 1968, Freud's name was taboo in the Czechoslovak press.] The exhibit contains mainly photographs and writings documenting the fact that Freud was born in this town and lived here for the first 3 years of his life. In 1931 the town unveiled on the house where he was born a memorial plaque by master sculptor Frantisek Juran. At that time only the scientist's daughter, Dr Anna Freud, attended the ceremony. Freud, who at that time was already 75 years old, was unable to participate because of ill health. Despite the controversial spiritual legacy of this scientist whose teachings completely ignored the social nature of man, this is indisputably an interesting memorial. Museum experts are cooperating with the Freud Society in Vienna from which they obtained above all many scientific publications related to Freud's legacy. [Text] [Prague SVOBODNE SLOVO in Czech 6 Jun 87 p 10] 9004/6091

DRINKING OF PREGNANT WOMEN TRIPLES--The number of alcoholic women in the CSSR has tripled over the past 10 years. R. Ticha, MD, ScC, the director of the Infants' Hospital at the District Institute of National Health in Olomouc, who has been studying alcoholism in mothers for a long time, confirms that due to high consumption of alcohol during their pregnancy about 60 percent of women in our nation are producing only handicapped babies. Regular daily drinking of two beers containing 10 percent alcohol or three-tenths of a liter of wine may be harmful to more susceptible women. The most frequent symptoms include low birth weight with consequent stunted growth, characteristic abnormal facial features, serious brain damage marked by mental retardation, slow mental development, aberrant behavior--restlessness, inability to concentrate. Heart defects and defects of the urinary tract and other handicaps are frequently present. The gravity of this situation is underscored by the fact that young girls in particular recklessly consume alcohol, often without realizing that they are already pregnant. Drinking poses the greatest danger in the earliest stages of pregnancy. [Text] [Prague LIDOVA DEMOKRACIE in Czech 1 May 87 p 4] 9004/6091

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D.S.